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## ber Committee ort Big Event NAIC Meeting

### Action On Several Fronts At New York Despite Presence Of Lame Ducks

By JOHN BURRIDGE

NEW YORK—This is supposed to be a "lame duck" session of National Assn. of Insurance Commissioners, but it gives every indication of being one of the most productive in some time. The big thing is the Gerber subcommittee report, which turned out to be rather a masterpiece of strategy—offering recommendations for changes in the specific areas the subcommittee originally said it was going to study, while garnering on the way the NAII plan for a complete overhaul of rating laws and picking up this week the National Board's significant agreement to a set of principles for rating which include no prior approval and freedom for deviations.

At the same time, another Gerber subcommittee—on credit life and credit A&H model bill legislation—perfected its work, submitting revisions to the model bill. The parent committee on insurance on installment sales and loans adopted this report Tuesday morning without a word of dissent from the floor. Chairman Larson of Florida commented with a smile that over the years he had watched the development of this bill (and it was accompanied by some of the most wide open debating of the past five or six years), and it was a pleasure to him to see it reach the final stages in such an atmosphere of harmony.

There is a big attendance at New York. The reception Monday evening

(CONTINUED ON PAGE 25)

## NAIC President Comments On Senate Subcommittee Report

NEW YORK—Members of National Assn. of Insurance Commissioners should view the report of the U.S. Senate subcommittee on anti-trust and monopoly with an attitude of "open-minded and objective self-approval," Commissioner Sam N. Beery of Colorado told the NAIC meeting here last week. "The conclusions and recommendations of the Senate judiciary committee should be, and have been, graciously received," he declared. "They will receive the serious study of all commissioners."

The NAIC president, whose address was devoted to comments on some of the subcommittee findings, said the alternatives to an objective approach to the report are a "pugnacious" reaction which would be "wholly unbefitting an organization . . . whose very traditions have always been to

(CONTINUED ON PAGE 10)

## Nine Rate Regulation Principles Advocated By National Board

One of the major developments in the insurance business in recent months was the announcement at the NAIC meeting this week of the position of the National Board, working with Assn. of Casualty & Surety Companies and Inland Marine Insurance Bureau, of agreement on principles to be incorporated in rate regulation. The approach of the joint committee of the three organizations is to synthesize the all industry fire and casualty rating laws into one, and incorporate into it nine "fundamental principles," the most significant of which is immediate use of filed rates, no prior approval.

The principles, as announced by H. Clay Johnson of Royal-Globe group in behalf of the joint committee, are:

1. Retain the present requirement for rate filing but confer upon insurers the right of immediate use.
2. Eliminate the present provision for "prior approval" of rate filings by the commissioner but retain his power of subsequent disapproval subject to the non-retroactive restriction contained in the proposed District of Columbia rate regulatory bill which permits filed rates to remain effective for at least a stated period.
3. Retain the present statutory standards for rate making subject to express definitions thereof designed to limit further the commissioner's power of disapproval.
4. Eliminate the statutory provision for adherence to rate bureau filings and prohibit adoption by rating bureaus of any rules of adherence other than those voluntarily assumed by rating bureau members, in which case such members will retain the right to (a) deviate, (b) request the rating bureau to make an "agency" filing on their behalf or, upon the bureau's refusal, (c) file independently.
5. Permit any company to subscribe for any or all rating bureau services without the necessity of appointing the rating bureau to make filings on its behalf, but retaining the right of such subscriber to request filings to be made on its behalf on either a bureau or an "agency" basis as well as the right to deviate from bureau filings.
6. Provide specifically for rating bureaus to make a charge for any services rendered to members, subscribers, or other companies, and for any of its work products used by any company through incorporation by reference in rate filings or otherwise.
7. Include express authorization for insurers to act in concert, similar to the California rate regulatory law, in order to provide legal protection for joint underwriting activities in the case of syndicate operations, combination policies, joint reinsurance, etc.
8. Authorize the rating bureau to adopt reasonable rules requiring uniform statistical reporting by members and subscribers.
9. Retain advisory organization principles of the all industry laws.

## Chairman Jackson Quits Texas Board

Penn J. Jackson, chairman of the Texas insurance board, since its reorganization in 1957, has resigned to accept an appointment by Gov. Daniel to the district court bench which he vacated when he took the insurance post.

In his letter of resignation, Judge Jackson said that the task of helping to improve insurance regulation in Texas "has been largely accomplished. It was not my purpose to remain at this post any longer than necessary."

Prior to heading the board, he had practiced law in Cleburne since 1924. He had been county attorney and district attorney before being elected district judge.

### Bureau Auto Program In Miss., Filed In Ga.

National Bureau and National Automobile Underwriters Assn. have introduced their special policy and safe driver plan in Mississippi, effective Dec. 15.

The program has also been filed in Georgia. An 8.4% BI and PDL rate increase sought by National Bureau is still pending in that state.

## *Rules vs Guaranty Plan OK In Tex.*

AUSTIN—District Judge Ferguson has overturned Texas board approval of a guaranty agreement for International Service of Fort Worth. The latter's attorneys say they will appeal the decision.

The suit attacking the guaranty plan has been brought by Dallas Assn. of Insurance Agents and Floyd West & Co., managing general agency of Dallas, with the principal contention being that such plans are fire insurance and not true guaranty plans.

Judge Ferguson ruled only on the International Service case. This left somewhat unclear the status of two other guaranty agreement endorsements it has approved.

## Fireman's Fund In Move For Stock Of Standard Accident

### Combined Group Would Be Among Largest With About $600 Million In Assets

James F. Crafts, president of Fireman's Fund, and Lester K. Kirk, president of Standard Accident, jointly announced that the directors of the two companies have authorized negotiations for the exchange of Fireman's Fund stock for the outstanding capital shares of Standard Accident.

Any exchange offer made by Fireman's Fund to the shareholders of Standard Accident would be subject to acceptance by holders of at least 50% of Standard Accident shares.

If the combination of the companies is effected, the resulting organization will be one of the largest in the business. Based on figures at Dec. 31, 1959, the group would have assets in the neighborhood of $600 million. At last year end, Fireman's Fund assets were $462,796,829 and Standard Accident's were $130,174,340. Net premiums written by Fireman's Fund in 1959 were $183,318,801 and by Standard Accident $68,962,869. The two groups had policyholders surplus of $185,404,193 and $30,661,297, respectively, at the end of 1959.

On Nov. 29, Standard Accident stock's bid and asked price was 49-50½, a rise of six points on the news of the potential merger. Fireman's Fund stock was 51¾-52½, an easing off from 53¾ at the close of the previous week.

### *Ainley Joins Ky. Department*

Thomas A. Ainley is the new casualty and surety director of the Kentucky department. Mr. Ainley, casualty manager at Cincinnati of Aetna Fire for five years, was formerly in the Aetna Fire's western department headquarters at Chicago.


"AJAX CAME OUT ON TOP IN THE MERGER."

# Passe Club Meets Under New Officers, Membership Growing

Passe Club International, the organization of ex-commissioners, the club which requires that in order to get in the applicant has to lose, conducted its annual meeting in New York this week in its tradition of quality food and unrestrained spoofing. It was the first time the new officers—John Lloyd of Union Central Life, president, and J. R. Maloney, San Francisco attorney, secretary—had charge of the affair. They did a creditable job, changing the format a little so as not to try to compete with their predecessors, Howard Brace and M. J. Harrison. Mr. Brace was on hand and had a seat at the head table. Mr. Harrison, however, was unable to attend, and he was sent a prepaid telegram of good wishes.

Others at the head table included R. Leighton Foster of Canadian Life Officers Assn., commissioner of Toronto in 1924 and now about to retire; John Barry of Corroon & Reynolds, chairman of arrangements for the meeting, and Sam N. Beery of Colorado, president of NAIC.

Mr. Maloney reported that membership during the year increased with the addition of David Irons and Joe Gibbs of Texas; Cad Thurman of Kentucky; Lee Kelly of South Carolina; Alden Palmer of Indiana, and Robert Adams of Wyoming. Three pledges are certain: Billy Sullivan of Washington; Carl Hulbert of Utah, and Frank Blackford of Michigan. The elections have created a good reservoir of potential new members, Mr. Maloney added. He divided them into two groups, those reasonably certain and those uncertain. The reasonably certain ones are Gerber of Illinois; Ashley of Indiana; Grubbs of Nebraska, and Roberts of Rhode Island. Not so certain are Timmons of Iowa; Whitney of Massachusetts; Magnusson of Minnesota, and Pearson of West Virginia.

**Elections Provide Glee**

Elections are the life blood of Passe, Mr. Maloney observed. They provide the main source of membership and they are watched with glee.

The formalities included introduction of Mr. Barry for a few remarks (in the form of Irish wit); presentation of a gavel to Mr. Beery, and a resounding hand for Mr. Foster, who is, Mr. Lloyd commented, "ending one of the great careers of modern insurance."

The piece de resistance of the program was the showing by Harry H. Fuller, midwest manager of National Bureau of Casualty Underwriters, of pictures taken of distinguished Passe members, past and present, at previous meetings. Mr. Fuller has been taking photographs at NAIC meetings as a hobby for many years. He has a file of negatives that includes nearly all of those who have attended the meetings for any length of time. His script included some appropriate commentary on the subjects thrown on the screen, and at the conclusion Mr. Fuller confessed that the author was Mr. Lloyd, who had wished not to get the credit, or blame, as the case may be.

**Surety Underwriters Assn. of Rochester, N. Y.,** has elected Harold D. Rarrick, Fidelity & Deposit, president; William Michener, Aetna Casualty, vice-president; Elden Wise, North America, secretary, and Willard Hubbard, Travelers, treasurer.

# Ill. Chamber Of Commerce Rally Digs Into Insurance With Gusto

By WILLIAM H. FALTYSEK

Twelve experts, each speaking 15 minutes on practical insurance problems, plus a half-hour talk at lunch, added up to a day-long session crammed with information last week at Chicago. The meeting was sponsored by the legislative committee of Illinois Chamber of Commerce and drew some 400 business men from all over the state. It was the first conference of its kind conducted by the state chamber or one of its units, but, if the interest and enthusiasm displayed at this gathering is any criterion, it certainly won't be the last.

Speaking on trends and transitions in the casualty business, Chase M. Smith, senior vice-president and general counsel Lumbermens Mutual Casualty, predicted a move away from standardization in coverages and prices in the immediate future and a "fiercely competitive and destructive struggle between the insurance companies which will cut down the small and build up the large. I hope the cycle will be a short one and that the research for scientific method will be rewarded with success sooner than I expect."

He traced the formation of the fire and casualty bureaus and said, "Under the bureau system, the fire and casualty insurance companies became financially strong; little companies as well as the big ones operated satisfactorily, bureau members as well as non-bureau." The bureau idea has been losing its influence, however, he said. He attributed this partially to the "introduction of package policies, combining coverages formerly written under separate policies and giving this contract a new name and charging a rate bearing no resemblance to the aggregate of the prices for the separate policies."

Another factor is the use of separate rates by individual companies in lines such as automobile where there is a mass market of similar risks, Mr. Smith said. "The next steps will be further combinations and changes of coverages and blanketing of rates with the result that neither the underwriting mentality nor the statistical machine can do very well in figuring out what ought to be a scientific premium.

"Also, as the non-bureau companies have grown rapidly, bureau companies have become restive. I think they have about arrived at the point where they are going to throw in the sponge on their hopes for scientific insurance rating systems and the idea that nondiscriminatory and equitable rates can be made through bureaus to provide a dependable market for the solvency for an insurance company."

This being the case, the speaker opined that the bureau companies will try out a period of cut-throat competition and in the battle the small or weak companies cannot survive, the little companies not being able to produce averages of their own. "Without the guidance of a scientific rating system they cannot survive in a truly competitive market."

Mr. Smith noted that while the shrewd insurance buyer will "reap a

(CONTINUED ON PAGE 19)



# Am. Fore Loyalty Offers Arbitration For Chicago Claims

America Fore Loyalty group, in full page advertisements in the four major Chicago dailies, has made an attempt to relieve what more than one commentator has referred to as the "staggering" backlog of law suits in Cook County by offering to "submit to impartial arbitration any personal injury claims arising from automobile accidents, and which are pending against our policyholders in Cook County."

Entitled "An Offer Designed To Reduce Court Congestion," the advertisement noted "There has been much publicity in recent months about court congestion in Cook County. Leaders of the judiciary, the bar and the community have grown increasingly concerned over delays in the disposition of law suits arising out of personal injuries suffered in automobile accidents."

The arbitration, the advertisement advises, when requested by claimants, will be conducted under the "long-established and time-tested procedures" of the American Arbitration Assn. America Fore Loyalty group will assume all charges for expenses made by the association.

The group states further that it is its policy to "pay prompty all just claims brought against our policyholders and to resist unreasonable and unmeritorious claims. We believe that the public interest is best served by employment of efficiently administered judicial processes to dispose of those claims which cannot equitably be disposed of by amicable negotiation. However, in view of the concern which has been expressed over congestion in the courts in Cook County and in an effort to help relieve that congestion, we extend this offer."

When contacted in Chicago by a representative of THE NATIONAL UNDERWRITER, R. Newell Lusby, casualty claims vice-president, stated that America Fore Loyalty companies had made the arbitration offer in metropolitan New York in 1952. Results were "somewhat disappointing," Mr. Lusby said.

Mr. Lusby said that in view of the oft-repeated accusation that companies are selfishly delaying cases in a calculated attempt to accrue advantage therefrom, it will be interesting to see how many claimant attorneys will be sufficiently concerned about the backlog to take up the offer. He said further that it should be obvious to anyone with more than a casual interest in the matter, that insurance companies lose money every day that a case is delayed in court.

The America Fore offer is the second attempt by companies in recent months to relieve local court congesion. General Accident group recently sent letters to all attorneys who represented its claimants suggesting they call the claim office in order that negotiations might be entered into on all claims, regardless of their stage, that warranted settlement. Results of this attempt have been termed "encouraging" by General Accident.

**San Francisco Society of Insurance Brokers** will hear Stanley A. Weigel, San Francisco attorney, speak on "Redress for Traffic Accidents—Is There a Better Way?" at its semi-annual luncheon meeting, Dec. 13, at the Fairmont Hotel.

## Rusher Succeeding Posey As Pacific Hartford Fire Head

Hartford Fire group has named William H. Rusher Pacific Coast manager to succeed Addison C. Posey, who is retiring Jan. 1, but continuing as an advisor.

Mr. Posey joined the company's survey department in 1924. In 1926 he was promoted to resident manager of the San Francisco metropolitan department and in 1934 was advanced to assistant manager there. In 1939 he was elected a vice-president of Hartford Accident and was at the home office from 1939 until 1946 when he was named Pacific department manager of the group.

Mr. Rusher joined the group in 1934 at the home office. From 1936 until 1941 he was a special agent in New York City. He was transferred to Washington, D. C., in 1941 to organize and open the company's service office which he managed until 1946 when he was appointed production manager and later manager of the Brooklyn, N. Y., branch. In 1952 Mr. Rusher was promoted to metropolitan manager in New York City, where he remained until 1955 when he was named assistant manager at San Francisco. He is immediate past president of Pacific Fire Rating Bureau.

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## American Re Pays Extra

American Re has declared an extra dividend of five cents in addition to the regular quarterly payment of 30 cents a share. Both are payable Dec. 15 to holders of record on Dec. 5.

## *Nelson Cites Audit Of Security, Urges Merger With Home*

J. Arthur Nelson, chairman of New Amsterdam Casualty, has issued a statement to stockholders of the company which calls into question representation by Security of New Haven to New Amsterdam stockholders that security had a profit of $2.06 a share in 1958 and $7.71 per share in 1959. Mr. Nelson states that an audit made by the accounting firm of Lybrand, Ross Bros. & Montgomery, engaged by New Amsterdam, "indicated a deficit of three cents per share in 1958 and earnings of only $2.82 per share in 1959."

**Offers 1¼ For One**

Security has offered one and one-quarter shares of its stock for each share of New Amsterdam. The auditors, Mr. Nelson states, found that capital stock equities at least year end were $35.17 per share for Security and $63.28 per share for New Amsterdam. Mr. Nelson also points out that Security has 392 employes, New Amsterdam approximately 2,875, and Home approximately 5,600. As cited by Mr. Nelson, Security's premiums for the last full accounting year were $23,992,000, New Amsterdam's $85,185,000, and Home $243,539,000, while the assets of the three groups at 1959 year end were, respectively, $49,636,000, $166,919,000, and $608,410,000.

**Favor Merger With Home**

It is with Home that "we favor a merger," Mr. Nelson states. The proposal of merger with Home has been filed with the New York department, "and when cleared by that agency will be submitted to you for your consideration."

A hearing on Security's offer for New Amsterdam stock has been called for Dec. 7 by Commissioner Premo of Connecticut.

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## WC Rate Filing Action Date Extended In Mich.

The day before the new rate filing action date on WC in Michigan expired, the commissioner declined to approve a request for increased rates. He extended the date to Dec. 1, in which time he indicated he would be able to confer with "employers, employers' groups and other interested parties." The new filing was based on actual loss experience and asked no allowance for possible increases in losses and expenses for another year.

The delay in action puts the agents and companies under rule 3 of the Michigan WC rating bureau rules and regulations, which, in part, forbid definite quotation of an experience modification, nor issue of any policy at an experience modification, unless it "has been published by the bureau applicable to the term to be covered by said policy."

Also, a renewal policy must be written at manual rates in effect on renewal date, or without rates but with the statement—"Premium (alternative: experience modification) to be determined," if an experience modification has not been promulgated before the renewal date of any policy subject to experience rating.

Since approximately one-sixth of the state's substantial risks subject to experience rating expire Dec. 1 or Jan. 1, it is felt in certain quarters that very little time is left for approval and publishing of new manual rates.

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# Illinois Mutual Agents Elect Johnson President

By R. R. CUSCADEN

PEORIA—With a carry-over of enthusiasm from its recent national convention still easily discernable, Illinois Assn. of Mutual Insurance Agents met here last week for its own annual and injected a local version of the heady stuff into a record attendance of 125.

W. A. Stringfellow

Agents attending the two-day affair in this historic city (it was held at various times by the French, Spanish and British) were treated to a full agenda that covered adjusting, inspection and underwriting aspects of the agency, merit rating systems (including the new Illinois version), an address on agency survivorship and a plea to remember that selling remains the only way an agent actually makes money.

**List Officers**

Orville Varland Jr., Rockford, stepped down from the presidency after a successful two-year tenure, and Ira C. Johnson, Aurora, was elected to that post. Wayne Varland, Rockford, a cousin of the retiring president, was named vice-president, and Dean Stonier, Kewanee, was elevated to secretary-treasurer.

The association's executive secretary of some 10 months, Harold S. Price, whom many of the members were meeting for the first time, received many compliments, both official and unofficial, and more than one director termed him the "best man behind the man" the association has had in its eight years of operation.

The Illinois association now ranks 17th in the country, but with one of its own members, Claude E. Spencer, Danville, scheduled to assume the presidency of the national organization next year, a good deal was heard about putting on steam and passing some of the other states in membership.

Mr. Johnson and Wayne Varland were reelected directors; Dorothy Miller, Mt. Morris, Marion C. Thickson, Lincoln, and Robert E. Bartlett, Moline, were named to the board for the first time, and a new designation, honorary director, was initiated to reward one of the association's real wheelhorses, Frank Leberman, Harrisburg, for his long and untiring efforts in behalf of the association.

**Stringfellow Speaks**

William A. Stringfellow, general manager of the national association, was the banquet speaker, and while his address was largely of a humorous nature, concerning as it did his travels around the world to such faraway places with strange sounding names as Cincinnati and Atlanta, he did have some encouraging news for the agents.

The mutual business is a "good business," Mr. Stringfellow stated, having grown from a premium income of \$34 million in 1934 to \$3½ billion today. Also, the number of mutual agents has increased from 1,500 in 1938 to more than 9,000.

Mutual agents favor neither subsidies for others or for themselves, he said. At the same time, they must defend themselves against discriminatory legislation. He urged the agents to take a more active part on the political scene.

Mutual agents may sometimes feel that their companies do not grow as fast as they should, or are as forward-looking as they might be, but a quality of enthusiasm inherent in the mutual system is their best guarantee for a successful future, Mr. Stringfellow said. He advised members to work smarter as well as harder.

Edwin Overman, American Institute, in his address, "Agency Survivorship," predicted a new era of opportunity and, especially, responsibility, for the agent. A need is arising for complete financial assistance, he said. It is not fair to one's insured to sell only auto or only liability insurance. The insured's total insurance needs must be taken into account.

**Means Financial Counseling**

Mr. Overman admitted this meant nothing less than actual financial counseling, but if the agent is as truly professional as he claims, this is a sure way of proving it.

Companies are beginning to think in terms of a really complete package, he stated. Among the various packages being assembled is one containing ordinary life, mutual finds and A&S and major medical. Another one contains homeowners, auto, life, A&S and mutual funds.

Some of the most interesting devel-

(CONTINUED ON PAGE 23)

## *Insured Not Required By Policy To Produce Income Tax Reports*

An income tax report does not come within the terms of that part of an insurance policy which requires insured to "produce for examination all books of account, bills, invoices and other vouchers . . . " So ruled the federal district court at New York City in Zweibel vs Reliance reported in 10 CCH (Fire & Casualty) 551.

The insurer had asked Zweibel to produce copies of income tax reports filed with the state and with Internal Revenue Service. The court pointed out that the question is whether such income tax reports are books of account, bills, invoices or other vouchers within the terms of the policy. That question, however, does not involve the problem of whether, during the course of the action, the insurer may rightfully demand, after proper procedures, the production of the income tax reports.

So, addressing itself solely to the question of whether the tax reports are items such as the policy describes, the court concluded that they are not. If the insurer had intended to include tax reports, it could have so indicated, the court concluded.

## Vosper Special Agent

Buckeye Union Casualty has named Donald F. Vosper a special agent at Akron. He was formerly with an agency at Cuyahoga Falls, O.

### *To Give Credit Life Cover Free*

Certified Acceptance Corp., Chicago premium finance organization, beginning Dec. 1 is giving free credit life insurance to all accounts. The president of Certified Acceptance is S. M. Simon, who also heads the St. Lawrence group of insurance companies of Chicago.

## Court Gives County A Roof But Rejects A Plea Of Bad Faith

Wilkes County, Ga., was upheld by Georgia court of appeals in its suit against Travelers Indemnity for the loss of a court house roof as the result of wind. However, the high court made it a part of its decision that a $100.50 penalty for bad faith and $200 for attorney's fees be written off. Otherwise, the appeals court said, the verdict for the county would be reversed. The case is reported in 10 CCH (Fire & Casualty) 549.

Fire destroyed the roof of the court house, and a temporary roof was installed. It was this one that the county argued wind had caused to collapse. The court overruled the insurer's argument that there had not been a windstorm.

The high court also opined that the insurer's defense, that buildings in process of construction are excluded, did not apply here since the building was being "repaired."

**Rejects 'Bad Faith' Charge**

As to the charges, upheld by the lower court, that the insurer acted in bad faith, the appeals court said: "While we have held that the evidence of windstorm as the cause of plaintiff's loss is sufficient to create a question for the jury, it is not of such compelling weight and character as to show that the insurer acted on bad faith when it refused to pay the plaintiff's claim under the policy. This fact and the reasonable question of law regarding the construction of the policy exclusion are sufficient to justify the defendant in seeking a determination of its liability in the courts without peing penalized for bad faith in so doing. The evidence does not support the verdict for the penalty for bad faith and attorney's fees."

Counsel for the county stated in his final argument that the defendant was "one of the richest insurance companies in the world." The lower court ordered this stricken and the jury to disregard it. However, that court did permit counsel to describe the insurer as "a foreign insurance company from Connecticut." The high court ruled that the latter was not prejudicial. "Everyone," it stated, "knows that an out-of-state insurance company is a foreign company."

## Wrong Iowa Address Given For Dairyland Mutual

The 1960 Underwriters Handbook of Iowa lists an incorrect address of the Iowa service office of Dairyland Mutual of Madison. The correct address is 623 East 12th Street, Des Moines, P.O. Box 1481. Alvin G. Hudson is Iowa manager of Dairyland Mutual. His telephone number is AM 2-5629.

Dairyland Mutual, which is an exclusive writer of substandard auto and operates in 17 states, has a new home office building in Madison at 625 North Segoe Road. This is a two-story brick structure with 11,000 square feet. There are no windows on the upper floor, light being provided by a huge skylight. The building also houses the life affiliate, Fortune National Life.

## Riordan Joins Hanover

Hanover has appointed John H. Riordan state agent at Albany, N. Y. He succeeds Richard J. Buck, who has resigned to enter the agency business. Mr. Riordan was formerly special agent of Crum & Forster at Albany.

## One Auto Policy Has Cover For 'Sorrow'

George H. Menefee of Baton Rouge, La., has been making a study of deductible provisions used in automobile insurance policies in this country and abroad. In doing so, he came across a third party coverage provided by a Greek insurer. After setting out the usual limits for BI and PDL, the policy provides separate limits for "recompense for sorrow."

Mr. Menefee comments that he has never understood how mental anguish came to be classified as bodily injury—at least to the extent that the insurer felt obligated to pay that portion of any award of damages. However, in view of the realities, it appears to Mr. Menefee entirely reasonable for automobile insurers to extend coverage in the policy by putting a specific limit therein for pain, mental anguish, and other extras that do not show up in an injury or autopsy report.

He suggests that a limit for humiliation, pain, mental anguish, and so on, might do wonders "toward educating a few judges." Rate filings, he believes, would be no problem since there are ample statistics in the file. These fringe benefits also should make fine publicity when a rate increase is requested.

## Cotton Warehouse Service Elects Harrison Chairman

Cotton Warehouse Inspection Service at its annual meeting elected Peyton M. Harrison, manager Cotton Insurance Assn., chairman. Duane E. Baker, manager, and Edward R. King, secretary, were reelected, and John B. Ricker Jr. was elected treasurer.

## GAB Expands In Ga., S. C.

General Adjustment Bureau has opened a branch office at Decatur, Ga. W. M. Fife, senior adjuster at Atlanta, has been appointed manager at Decatur. He will be assisted by E. D. Saville and D. M. Beall.

H. L. Foreman, senior adjuster at Albany, Ga., has been named manager at Tifton to succeed A. F. Kinard who resigned to join his father in the auto and truck repair business.

GAB has promoted George B. Crews from adjuster in charge to manager at Anderson, S. C. He will be assisted by J. L. Morgan, adjuster.

### *Mutual Of Omaha Group Changes*

Mutual Benefit H.&A. has made four promotions in its group division.

Walter Mench becomes regional manager in Philadelphia. He has been with the company since 1954 and has been district manager in the Philadelphia group office.

Thorne Dillon has been promoted to supervisor of group training in the home office. He has been with Mutual of Omaha for two years.

Kenneth Sandwall, group representative at Portland, has been put in charge of the Denver district group office.

Richard Reese has been appointed group representative at Omaha. He has been an underwriter in the group department for two years.

## Management Changes At Sayre & Toso

Reorganization of the top management of Sayre & Toso and its insurer affiliates, Holland-America and Mission, was announced by H. E. Sayre and H. J. Toso, chairman and president, respectively, of Sayre & Toso, following a five-day meeting of 33 officials of the group at Santa Barbara.

Leland J. Hoagland, vice-president of Sayre & Toso, was named to head the group's nationwide production and agency division. Ferdinand A. Hall, vice-president, was appointed to direct the domestic operations, and G. F. Brown, vice-president, was named to head the nationwide special lines division.

**Shreveport Assn. of Mutual Insurance Agents** has elected George Murphy president, Mrs. Mabel Pugh vice-president, and William T. Stephenson secretary-treasurer. Directors elected were Henry Mullin, J. N. Clancy, M. A. Thomas, and Glen Walker.

## Beery Comments On Subcommittee Report

(CONTINUED FROM PAGE 1)

welcome constructive criticism," or panic at fear of the federal specter, a "pattern of thought and action (which) would . . . lead us straight into the arms of the federal phantom."

**Deal With Shortcomings**

Over half of the committee's recommendations dealt with alleged shortcomings in the qualifications, selection, tenure, and compensation of the state commissioners and their staff members, Mr. Beery observed.

"First, as to the matter of qualifications, let me state, as emphatically as I know how, that I have nothing but the utmost pride for the quality and calibre of the commissioners and staff personnel who go to make up the state insurance supervisory corps . . . Man for man I will match them against anyone in federal regulatory ranks. Therefore, and to the extent that any reflections have been cast in this direction, I take violent issue!"

Mr. Beery said the manner of selecting commissioners, by ballot or by appointment, the length of term, are matters which rest in the judgment of the state legislatures. "Admittedly, there are benefits to be derived from a reasonable degree of continuity in the office of insurance commissioner and of his key assistants. This, however, is an objective that has never been completely realized by any governmental agency, be it local, state, or federal, or for that matter even in the fields of private business."

NAIC, Mr. Beery suggested, should schedule, perhaps every other year, a "get acquainted" session for new commissioners. He intends to schedule such a meeting at Philadelphia to precede the next meeting. All commissioners will be invited, with particular emphasis on having each zone represented. "We shall familiarize our new brothers with the perennial problems that they will face and help to equip them for the problems that they will daily face. We shall make them aware of the makeup, objectives, policies, and programs of NAIC. It is hoped that this kind of good neighbor policy might go a long way toward meeting federal charges of lack of continuity."

The Senate subcommittee was "overly critical" of the operations of the association examination process, Mr. Beery declared. He admitted there is room for improvement which could be realized with a more scrupulous adherence to the letter and spirit of the manual examination practice.

Congressional recognition of budgetary deficiencies and the importance of alleviating them may help to persuade the legislatures that more of the tax revenue from the insurance business should be and must be allocated to the source, Mr. Beery commented. Until now, commissioners have had to carry on this campaign practically singlehanded. "It is a team job, an all industry, all consumer project. Help is needed."

Mr. Beery said the Senate committee investigation has served other useful purposes. It has amassed a tremendous storehouse of factual information about the business and insurance departments. "It would be shortsighted of us not to study and to make use of that information." The investigation and its offshoots have provided valuable insight into the thinking of congressmen as to what is expected of the states in regulating insurance, and this should be an aid, in the difficult task of deploying forces to make the most use of the staff that time and resources permit.

**Concern Is 'Significant'**

The subcommittee's concern that departments may sometimes be preoccupied in the technical details is, Mr. Beery remarked, "significant, to say the least. It substantiates the conclusion to which I have long subscribed: The test which Congress will in the last analysis apply in judging our record will not turn on whether we, as state regulators, have tried to keep a finger on each small detail in the complicated insurance picture. . . The

test will turn, instead, on how well we have advanced the broad regulatory objectives of fostering a sound, healthy industry which is dynamic, competitive, and responsive to the needs of the public. In short, . . . on the quality of the product which we have helped create, and not on whether or not we have superintended with machinelike precision the turning of each nut and bolt in its construction."

Regulation for progress requires, Mr. Beery said, an open door to new ideas. "Far from frustrating initiative, we should seek ways to encourage it."

Regulation for progress also requires commissioners to keep an eye on tomorrow. Too often, Mr. Beery noted, the administrator does not come to grips with a problem until it has ballooned to awesome proportions. Then it becomes necessary for him or the legislature to take hasty and sometimes drastic steps to cope with it. "This, I might add, is as true of federal agencies as it is of state agencies."

He said today, not five years from now, is the time for serious and far-sighted planning on such matters as preparation for the expanding insurance market needs of an exploding population in a dynamic technology; encouragement of present and new capital in sufficient amounts to enable insurers to fulfill those needs; anticipation of those peculiar hazards incident to progress such as the expanded use of nuclear energy, sonic boom, international risks of space capsules, changing concepts in the field of life insurance; exploration of the multiple line concept in its broadest aspects and preparation for a change over one, three or five years from now.

Commissioners can't possibly plan for tomorrow's problems when day to day responsibilities consume all available time and manpower. Mr. Beery said this is where industry enters the picture. Increased use of industry committees, and of the newly formed consumers committee will pit the best talents of our business against the problems of tomorrow.

"For state regulation to withstand the constant congressional scrutiny . . . to measure up to our own expectations," Mr. Beery declared the commissioners need the help of the talents' of those in industry, and of those who "consume" the insurance products.

## *Ask Coverage For Brush Fire Areas At L. A. Seminar*

A challenge to actively support a feasible program that will cover the insurance needs of property owners living in brush fire hazard areas was proposed to the insurance industry at a seminar entitled "The Brush Fire Hazard," held prior to the annual all-industry luncheon in Los Angeles by Pacific CPCU chapter.

The seminar examined the scope of the brush hazard problem and the solutions that may be taken by the industry. Studies are now in progress to reduce the hazards of properties in the area, thereby making these risks more acceptable to insurers and reducing the difficulty of property owners in securing adequate insurance.

"At the moment, the attitude generally appears to be that because of the disastrous exposure of the hazardous areas, agents must limit their writings to properties which have some features that give the various fire fighting forces an opportunity to protect the risk," emphasized Fred A. Schwab, Reliance of Philadelphia and seminar chairman.

Of special importance to the industry, the seminar pointed out, is the needed expansion of fire protection equipment at a rate equal to the expansion of construction in the area. If these rates are not upheld, seminar members contended, the general public and the insurance industry face disasters perhaps more serious than experienced in the past.

Industry-wide support was also asked to promote and encourage prevention measures by establishing minimum standards of construction, clearing space and providing accessibility, setting up a central inspection bureau to reduce costs and by establishing adequate rates for the exposure with credit in rate for improvement of risk.

## Thom To Peoria For American Casualty

American Casualty has appointed H. Robert Thom casualty manager at its Peoria branch. He has been casualty underwriter at Chicago for the company and prior to that had been with American group's Chicago office for almost seven years.

## Merrimack, Cambridge Mutuals Promote Eight At Home Office

Merrimack Mutual Fire and Cambridge Mutual Fire have elected Kenneth A. Churchill vice-president (accounting and statistical), and Geoffrey B. Nicoll vice-president (claims). Edward F. Stokham and Robert DesRoches were named assistant vice-presidents.

Also elevated were Robert J. Scribner to secretary in charge of underwriting, William E. Nichols to assistant treasurer, and William E. Dubocq and Frederick H. Horton to assistant secretaries.

Mr. Churchill has been with the companies 35 years and Mr. Nicoll 32 years.

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**Underwriters Club of Philadelphia** has elected Robert H. England, Travelers, president; James Cortwright, Aetna Fire, 1st vice-president; Fred Schober, U.S.F.&G., 2nd vice-president; Ernest Dancer, Aetna Casualty, secretary; and L. W. Pearl Jr., U. S. Casualty, treasurer.

## Grain Dealers Names Cook 1st Vice-President, W. C. Bright Secretary

Grain Dealers Mutual has named D. Clay Cook 1st vice-president to succeed the late R. D. MacDaniel. W. C. Bright was named secretary.

Mr. Cook joined the mill and elevator department of the company in 1922 and later supervised general business operations in New York and the New England states. He went to Omaha as western manager in 1947 and became vice-president in 1959. Presently, he is chairman of the educational committee of the company advisory conference of National Assn. of Mutual Insurance Agents.

Mr. Bright came to Grain Dealers in 1925 in the field service department. He served as assistant manager, and from 1948 as manager of the department. He was named vice-president in 1959.

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**Zurich** will introduce its meritmatic homeowners coverages in California Dec. 7.

## Houston Surety Men Elect Sachse President

Surety Assn. of Houston has elected William J. Sachse Jr., Standard Accident, president. Other new officers are John Rougagnac, Maryland Casualty, vice-president, and J. D. Foster, American Surety, secretary-treasurer.

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**Miss Betty Callow** has been appointed director of occupational health nursing of Employers Mutuals of Wausau. She succeeds Helen Reischl, who has resigned to be married.

## Agent Plays Key Role In Nation's Economy

The role of the individual agent in the industry's job of providing security for the nation's economy was the theme of a talk by Arthur S. O'Halloran, Waterville, Me., to graduates of the 186th session of Aetna Casualty's sales course.

A. S. O'Halloran

Mr. O'Halloran of the Boothby & Bartlett agency and a 1956 graduate of the course, spoke in Hartford at the dinner which concluded the session.

Because very little industry or commerce could be conducted without the financial security that insurance guarantees, the agent's responsibilities are necessarily great, Mr. O'Halloran said. His first obligation is to his client, for whom he must obtain the soundest and most complete protection available. To do this, "we should make use of the best survey and analysis tools we have and keep ourselves informed through company and industry seminars and the insurance press on new developments affecting our business."

At the same time, he added, the agent must remember his responsibility to the company he represents, which he should fulfill by intelligent selection of the type of risks he asks them to assume.

**Should Be Active**

Mr. O'Halloran, who is president of Kennebec Assn. of Independent Insurance Agents, also noted that most successful agents have recognized their community reponsibilities. He urged the graduates to become active in community organizations as well as local and national insurance associations.

The class was led by Norman C. Kayser of Hartford. Other blue ribbons for high scholastic standing went to H. L. Dickinson of Springfield, Ill., Robert J. Brett of Windsor Locks, Conn., William S. Joiner of New Orleans, Robert J. Carlisle of Alexandria, Minn., John G. Weld of Cleveland, Robert L. Fields of San Angelo, Tex., and Paul N. Carris of McAlester, Okla.

Gold ribbons for demonstrating outstanding soliciting techniques were won by Mr. Fields, Mr. Kayser, Samuel R. Sake of Washington, D.C., Barry H. Freeman of Los Angeles, and Edmund W. Marsh of Waterville, Me.

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## New Hampshire Appoints Horning Kan. State Agent

New Hampshire has appointed Paul W. Horning Kansas state agent at Topeka. He succeeds George W. Erickson, resigned. Mr. Horning has been with the group for a number of years in Nebraska and South Dakota.

## Moser Is Given Big Send-Off On Eve Of Retirement

Henry S. Moser, senior vice-president of Allstate and an Allstate man almost from the time the company was founded, whose retirement Jan. 1 was announced a few weeks ago, was given a testimonial dinner by his company this week at the St. Regis Hotel in New York. About 150 persons attended, nearly all of them in New York for the NAIC meeting.

Mr. Moser has an identity with NAIC as well as Allstate. He figured prominently in the formulation of the all industry rating laws and in public law 15 which preceded them. He was the individual who got Allstate licensed throughout the country.

Allstate went all out to give Mr. Moser a nice send-off. The steak dinner followed a cocktail hour on the St. Regis roof. There was entertainment that had the personal touch of Al Bennett, special counsel to the New York Liquidation Bureau, at the piano, and the talks were brief.

**George Kline Presides**

George Kline, Allstate general counsel, presided after dinner and introduced the notables who spoke. Calvin Fentress Jr., chairman Allstate, related some of Mr. Moser's "simply enormous" contributions to the company and to the whole insurance industry. Commissioner Sam Berry of Colorado, president NAIC, mentioned Mr. Moser's work with NAIC over a period of 30 years. And Mr. Moser, who is retiring at 60 and who calls himself "the youngest elder in captivity," explained that he has been working since he was 9, when he sold newspapers, and he and his wife are ready to do some "rocking" during the winters in Mexico.

However, Mr. Moser will resume the practice of law as counsel to his former law firm of Sonnenschein, Lautmann, Levinson, Rieser, Carlin & Nath, with which he was identified for many years before going with Allstate on a full time basis. Also, he will remain as a director of Allstate.

Mr. Moser said he attended his first NAIC meeting in 1932. Figuring two a year since, he has been to 56 conventions without a miss. If the averages are right and the commissioners are in office 2.5 years, then he computes he has dealt with 700 or more commissioners in the last 18 years.

### Cal. Brokers Exchange Dec. Agenda Features Direct Billing, Legislation

Direct billing and legislation will be featured on a full agenda at the December meeting of the board of Insurance Brokers Exchange of California at Santa Monica, Dec. 4th.

Board members attending will be Jack Adamson, president; Frank M. Hagan, vice-president; Merritt Moselle, secretary-treasurer; Mario Basso; Lloyd M. Kahn; Laurent A. Loustau; S. Pat Mallia; Fred L. Mitchell; Liberto Nathan; Russell S. Reagan; Robert F. Sawyer; Glen Smart; Howard P. Stassforth Jr.; David V. Stevens and B. F. Watwood.

An executive committee meeting will be held prior to the board meeting.

### Another Stand-Off In Chicago Court Verdicts

Personal injury verdicts in Chicago last week again were split down the middle for plaintiffs and defendants, each winning five decisions, according to Cook County Jury Verdict Reporter. The total number of decisions since Sept. 1 is also a stand-off, with plaintiffs and defendants chalking up 70 verdicts apiece.

Last week the courts awarded damages of $212,700 out of $2,204,100 demanded. So far this current session, damages of $3,907,625 have been asked, of which $1,307,091 has been awarded.

## T. V. Murphy Elected President Of ASIM

American Society of Insurance Management, at the annual meeting at Chicago, elected T. V. Murphy, Maryland Shipbuilding & Drydock, Baltimore, president. He succeeds W. Howard Clem of Schlumberger Well Surveying Corp., Houston.

Serving with Mr. Murphy are C. Henry Austin, Standard Oil of (Indiana), Chicago, 1st vice-president; Charles H. Thiele, Federated Department Stores, Cincinnati, 2nd vice-president; and reelected are F. W. Norcross, Budd Co., Philadelphia, treasurer, and Merritt C. Schwenk Jr., Fruehauf Trailer, Detroit, secretary.

Regional vice-presidents are R. S. Johnson, St. Paul Terminal Warehouse Co., St. Paul; Robert G. Kenan, Southern Natural Gas, Birmingham; John R. Kountz, Rust Engineering, Pittsburgh; William A. Miller, Richfield Oil Corp., Los Angeles; David C. Morris, Chance Vought Aircraft, Dallas; Frank W. Pennartz, Food Fair Stores, Philadelphia; Richard Tierney, McDonough Construction, Atlanta; Richard Prouty, Norton Co., Worcester, Mass.; Alan A. Sharp, Distillers Corp. Seagrams Limited, Montreal; and E. R. Zimmerman, American Bakeries, Chicago.

## Renew Hanover Deal With Mass. Bonding

Hanover and Massachusetts Bonding have resumed their interrupted negotiations for a merger of the companies.

In their announcement of the resumption, James L. Dorris, Hanover president, and A. Lawrence Peirson Jr., president of Massachusetts Bonding, said that terms of the merger are being prepared for submission as early as possible in 1961 to the respective boards, to stockholders and to regulatory bodies.

Hanover holds about 30% of Massachusetts Bonding stock—the block formerly owned by Worcester Mutual Fire and State Mutual Life interests.

# Editorial Comment

## *Public Relations And The Underwriter*

(From talk at Mutual Insurance Technical Conference, New York. Third part of three.)

What are some of the current problems with which the underwriter is having to deal, and how is he dealing with them? Here are two examples.

The underwriting vice-president, visiting a branch office, found the manager concerned about relations with two or three exceptionally good agencies. The agents had been giving the insurer quite a bit of truck business until the company substantially shut down on its acceptances. These weren't ordinary long haul truck risks, but farmers and stockmen who trucked their stock to market 100 to 500 miles away, then tried for a payload back.

The underwriter and manager visited the stockyards and spent a couple of days talking with the truckers. To get the stock to market in time for the sales, the trucker started from home base as early as midnight. He drove steadily, almost without a break. After disposing of his stock, if he could get a load back, he did so and, to save notel and garage costs, headed at once for home. He might drive all night to get there.

The underwriter, manager, and agents worked out a plan which kept most of the business on the books. The trip was to be broken by a night's sleep. In certain cases the trucker was to carry a helper. Standard signal warnings were insisted upon in case of breakdown—and if the trucker became tired and needed a nap.

This constituted a good job of PR all around—with associates, with agents, and with the public.

Instinct and almost every principles of good management of a business that expects to stay in business is to avoid as many second class automobile risks as possible.

As underwriters, as company executives, you are not responsible morally or legally for most of what is wrong in this field. Much more primarily responsible are legislators, motor vehicle administrators, law enforcement officers, insurance departments, bar associations, medical societies, juries, hospital employes, and garage operators.

Yet unquestionably if you are going to continue to have the right to solve this problem, you are going to have to stop doing everything possible to evade and avoid it. You are going to have to go ahead and deal with it and deal with it a good deal more effectively than you have in the past.

If all second class drivers were always second class drivers, perhaps the insurer that was the most skillful at avoiding the insuring of them would end up in time being the most successful insurance company of them all. But, unfortunately, a large group of second class drivers become first class drivers on their 25th birthday anniversaries. If the ladies will excuse me, they comprise all of the future buyers of insurance in the U. S.

Note that within one second on a given day in the year they undergo a remarkable transformation. They become 25 years old and cease being class 2 drivers. In one second they become class 1 drivers and their insurance premium is reduced from $200 to $100, or from $150 to $75.

Now you don't believe that up to that one second they are all second class drivers and, within one tick of the clock they become first class drivers. You don't believe it, and neither do they.

Do you think this is creating a favorable image of the underwriter or of anyone else in the insurance business?

As a practical matter, the 25 year breakoff for classification purposes has proved sound—for underwriting.

As a public relations matter it leaves much to be desired, under any circumstances. But it is especially and gruesomely significant in view of the fact that these are the insurance customers of the future. That, coupled with the sharp increase that now has started in those becoming under-25 drivers, poses you, as underwriters, one of the most difficult problems in public relations that exists today, or that has ever existed in the business.

At a minimum, it seems of critical urgency to find and apply underwriting criteria to young drivers that will sort the responsible drivers from the irresponsible and give those able and willing to do so a chance to prove their first class membership in the human race—or, perhaps I should say, driving race. Some things are being done in this area. Here as is often the case, the underwriters who are able to find solutions to insurance problems that confront members of the public will win the confidence, esteem, and business of these people in the years to come.

By and large, this business has done a good job. The product is universally accepted. The number of complaints received by better business bureaus is far less than for almost any other business.

The business has grown. Yet its profits over the years have been modest compared with any other enterprise with the possible exception of buggy whip manufacturing. It has not been subsidized by the government, as have railroads, trucks, airlines, and steamships. Though it is closely regulated, it is not in a substantially monopolistic position, as are utilities, automobile manufacturers, steel companies, and oil corporations. It has no patents, so that it cannot, as do many manufacturers, protect its product from competition for long periods of time.

The fire and casualty insurance business has a record to be proud of and a good story to tell.

But it can do better. The underwriter can lead the way and improve the company's relations by communicating more effectively. To do so he needs to identify more closely those with whom he is obliged to have relations. He can then double his communicative efforts to keep in touch with them. This will mean more of the written word, the spoken word, and, above all, traveling. The most successful underwriters today are those who travel 25 to 35% of the time. They go talk with those who have problems. In your case that means field men, branch offices, agents, and, occasionally, those who use your product.

There are times when it would be revitalizing for the underwriter to stop being defensive and start being offensive, not accidentally offensive but on purpose. Even when you have to be negative, be positive.—K. O. F.


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# Personals

**John J. Leddy,** director of education of American, was among 30 lecturers of the Newark extension center of Rutgers University who were honored for loyal and faithful service to the university at a dinner in the Robert Treat Hotel, Newark. Mr. Leddy has been with the center since 1952 and is its principal advisor on courses related to the review for the CPCU examinations. He is 1st vice-president of Insurance Company Education Directors Society and chairman of the education committee of New Jersey chapter of CPCU.

**Leffert Holz,** New York attorney and former superintendent of insurance, has been elected chairman of Lawyers Mortgage & Title Co.

**Earl C. Short,** president of Elett & Short agency, Washington, D. C., has completed 50 years in the business.

**John K. Alsop,** president of Mutual of Hartford, is reported to be the leading candidate for the Republican nomination for governor of Connecticut in 1962. Mr. Alsop is the brother of Joseph and Stewart Alsop, writers.

# Deaths

**JOHN L. WILDS,** 77, retired president of Protection Mutual of Chicago, one of the Factory Mutuals, died at Darlington, S. C., his home town. Mr. Wilds graduated from the University of South Carolina in 1904 and received his science degree at MIT in 1911. He joined the Factory Mutuals in Boston, and three years later was moved to Chicago as an engineer for Protection Mutual. He was advanced to vice-president of the company in 1917 and president and chairman in 1935. He retired in 1953. Mr. Wilds was a past president of National Fire Protection Assn. (1948).

John L. Wilds

**HOUGHTON W. KENYON,** 85, who was with Sun at Des Moines from 1928 until he retired in 1955, died. Before going with Sun he was with Massachusetts Bonding.

**R. ELLWOOD PRATT,** 67, treasurer and general manager of Travelers Health Association, died. He became a director of the organization in 1921 and served as treasurer and general manager since 1929. He was an authority on direct mail advertising and was a past president of International Federation of Commercial Travelers Insurance Organizations.

**O. E. BEGLEY,** 61, agent at London, Ky., for 10 years, died. He previously had headed an agency at Hazard, Ky., and had been a member of the Kentucky legislature.

**FRANK L. DONAHOE,** 63, assistant manager of the Pacific fire department of Fireman's Fund, died. He had been in fire underwriting and production

assignments since 1917, becoming chief fire underwriter at San Francisco in 1930. Mr. Donahoe was appointed agency superintendent in 1948 and assistant fire manager last year.

**FRANKLIN VANDERBILT**, 71, resident vice-president in New York of Indemnity of North America, died in the hospital on Thanksgiving day of injuries sustained Nov. 17 when he was struck by an automobile. He was injured while on his way to a dinner for past presidents of Casualty & Surety Club of New York. He was a past president. Mr. Vanderbilt's career spanned 54 years. He began with Aetna Life group in 1906 and was later with Royal Indemnity and Constitutional Indemnity before joining Indemnity of North America in 1933 as manager. He became resident vice-president in 1952.

**J. H. HAMMONS**, 88, former agent at Hazard, Ky., died. He had also been a U.S. marshal.

**WALTER F. JACOBS**, 67, Louisville agent, died.

**REGINALD FOSTER**, 80, secretary and a director of Farjeon, Ballin, New York City brokers specializing in coverage on art and art collections, died of a heart attack at his home there. He joined Farjeon, Bagot, the predecessor firm of Farjeon, Ballin, when it was formed more than 50 years ago. He was instrumental in placing coverage on millions of dollars worth of art treasures at the New York World's Fair of 1939-40.

**LUCIEN HARRIS**, 85, Atlanta, Ga., agent, died at his home there. He was the second son of Joel Chandler Harris, the creator of Uncle Remus.

**JOSEPH D. MILLS**, 52, claims supervisor American States of Indianapolis, died there of a heart attack. He joined the company in 1946.

**JAMES R. McBRIDE**, 51, of the Indianapolis agency bearing his name, died at his home there.

**J. ALLEN VAN WIE Sr.**, Troy, N. Y., agent died. He had been an agent since 1902.

## Comments On The Insurance Field From The Investment Dealer's Chair

By LEVERING CARTWRIGHT

**Cartwright, Valleau & Co., Board of Trade Building, Chicago**

Insurance stocks ran into a fair breeze of wind last week and closed Friday with authority on the upside. Aggressive buying was evident. Interest centered in several of the leaders, but there was a spirit of search in the air for laggards that might be expected to participate in a forward move. Usually most issues respond in various degrees and at various stages to a move in either direction. Life stocks came to life and in general provided the leadership, but there were some positive performances among fire-casualty names, too, even in the face of apologetic third quarter underwriting results.

Connecticut General has been a standout in the market in recent weeks, giving hint of good news to come. The market was disturbed not in the least by the New York appellate decision that continues to bar its entry into fire-casualty underwriting. It was bid at an all-time high of 402 when the official announcement was made of the proposed 100% stock dividend and at that point some selling on good news developed and it went off a shade. This news inspirited the whole list.

Franklin Life, which had been wanted on buyers terms earlier in the week, found increasing favor and went out Friday at 69 bid, up about 4 for the week. Lincoln National continued to be a better buy than a sale after recent weakness under liquidation. It edged higher and ended the week 221 bid.

Jefferson Standard which had made a four point advance the previous week, sagged early last week, but then commanded new buying and advanced again. For some months advances in the market of individual life stock have invited selling and improvement has been short lived. The present advance, however, seems to be more impressive and lends more confidence to investors than to scalpers.

Continental Casualty displayed even more muscles and after reaching a new all-time high, went out last week at 79¼ bid.

Continental Insurance was sparked by the dividend increase based on current and prospective outlook and reached 52, up better than 8 points from its recent low.

Fireman's Fund (known to insurance stock traders as Foo Foo) made the kind of a breakout on the upside that suggests the possibility of good news. It reached a bid of 53½ which compares with a recent Donna-struck price of 47.

Springfield F.&M. (traders call it Springy) continued to more forward inch by inch and without intermediate setbacks, advancing to 33½. This one might soon show marked improvement. It continues to gain investment respect, as it is rated (by reason of its ownership of Monarch Life) as a life insurance operation with a good yield and yet with the discount enticement of many of the fire-casualty stocks. This is a merger that is working out advantageously. The Monarch Life people are proven money makers.

Hartford Fire moved up decisively and entered new high ground. Its closing bid Friday was 53. North America got out of the doldrums of the low 60s and climbed to 67½. St. Paul edged ahead. Hartford Steam Boiler, sans Donna, surety, auto liability and workmen's compensation woes, had been in demand in recent weeks and closed Friday at 89 bid. This had been in the range of 74 or so earlier this year. It is a big owner of life insurance stocks including a large parcel of Conn. General.

Crum & Forster was strong, with 72 being bid for stock Friday.

American Motorists was wanted and hard to buy and went to 17½ bid. This compares with a recent low of 13¾.

Transamerica was up 2½ points from its recent low. There were buyers around for Kansas City Life with no stock showing. There was a nominal offering price of 1265.

National Old Line of Little Rock, which has become something of a glamor issue with stock brokers that are always trying to divine another Franklin or Continental Assurance, in the last two weeks or so shot up from 12 to 16. Value Line Investment Survey which has such an extensive following whetted the appetite for this with an exceptionally strong send off.

U. S. Life was up 4 points or so. So was United of Chicago.

This latest spurt overcame doubts that had been possessing professionals as to the effect of deteriorating fire-casualty earnings. Several cash dividend increases and stock dividends that had been tentatively decided upon were suspended. The National Board report of a 30% increase in fire losses for October was a blue note earlier last week. Individual companies had noted this and ran a spot check in their own offices. They said their October experience doesn't seem to reflect this.

Mass. Bonding got up to 39½ bid after having sunk to 33½ when the Hanover merger talks were discontinued.

*Standard Accident ran up six points on the announcement of Fireman's Fund beckoning. The latter stock eased. Hartford Fire sold up to $65. Government Employees issues were exceptionally strong. National Union moved up. Springfield went into new high ground. Lamar Life was bid $36, up four points. Continental Casualty got into the $80 range. Jefferson Standard encountered selling and backed off three. New Amsterdam advanced two points to $56 bid.*

— | | | —

The Commercial & Financial Chronicle in its Nov. 24 issue had a study of Home Insurance with particular reference to its competition with Security Insurance for the acquisition of New Amsterdam Casualty. The improved trend in the expense ratio is commended. Since both Home and Security are weighted more heavily on property underwriting lines either will obtain a better diversification of business from an acquisition of NAC whose casualty lines comprise 80% of its book of business.

Government Employees Insurance and Government Employees Life were considerably higher and offerings were scarce.

American Life & Casualty of Fargo and Old National of Houston finally cleared all the hurdles in their affiliation program. Offers went out to stockholders of each company to exchange their stock on the basis of 1¼ shares of American Life Companies, for each share of the North Dakota and Texas companies. Stock of the holding company will probably have a market of about 9. Lehman Brothers has taken an interest here and some of the Lehman partners own preferred stock, with conversion privileges, in American Life Companies.

Commonwealth Fund Trust Plans A & B of Boston added 1,800 shares of National Fire and now have 1,300 shares of Continental Casualty. Eaton & Howard Stock Fund increased its holdings of Hartford Fire from 17,000 to 20,000 shares. De Vegh Investing Co. added 1,000 shares of Aetna Life and 5,000 U.S.F.&G. Pine Street Fund added 2,000 shares of U.S.F.&G. and now has 7,000. United Corporation invested in 500 shares of Conn. General.

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A recent listing of the bid prices of some 175 insurance stocks elicited a question from J. Mac Thompson, president of Liberty Insurance of Fort Worth. The bid price of his company was shown at 4½. He said that recent trades have

been above 7 and that the book value of the stock at Sept. 30 exceeded $13. The bid price of 4½ was what appeared in the National Daily Quotation Service in behalf of a single broker. On some of the inactive issues in which only a single dealer is showing an interest and that in the form exclusively of a bid with no offering price noted, such actual trades as there are may be at a figure higher than the bid.

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Securities now in SEC registration include shares of American Heritage Life, American Income Life of Texas, California Life, Investors Preferred Life of Arkansas, Mid-America Life, Oklahoma, National Western Life, Denver, and Preferred Risk Life, Arkansas.

Ohio seems to have become the current field for promoting new life insurance ventures. Stock sales are being conducted in several new names and others are in the offing.

One of the important investment advisory services on November 28, 1960, under the caption, "The Most Attractive Fire and Casualty Insurance Stocks," states that shares of ably managed companies are attractive holdings now. They say Continental Casualty, General America and North America never seem cheap but have had steady gains in dividends and market value. They may be bought for long-term investment. Western Casualty and Surety has had a superior record and is also worth buying. Issues that may be bought for income and more moderate appreciation are Continental Insurance, Reliance and Springfield F.&M. Companies that are selling at high yields reflect a lack of progress in earnings and dividends. They sell at a large discount from book value, but this is no assurance of appreciation.

New York City chapter of **Society of Fire Protection Engineers** at its Dec. 6 luncheon meeting at the Masonic Club will hear W. H. Doyle, chief chemical engineer of Factory Insurance Assn.

## *Accountants' Annual Set; Slate Nominated*

Society of Insurance Accountants will hold its annual meeting Dec. 16 at the Statler-Hilton, New York. The organization will hold its first annual banquet and "follies" in the evening.

Slated for election at the meeting are John B. Stewart, Fireman's Fund, as president to succeed Walter H. Mosher, Boston; Robert G. Espie, Aetna Casualty, executive vice-president; William G. Robinson, North America, vice-president; Finn D. Nillson, Royal-Globe, treasurer, and Everard P. Smith, retired from Norwich Union, secretary.

The executive committee slate includes Edward G. Crapser, Pacific of New York; Russell D. Leinbach, Travelers; William B. Ehli, U. S. Casualty, and Walter H. Mosher, Boston.

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**Phoenix of Hartford** has named Norman J. Lindholm superintendent of casualty and bonding at Minneapolis.

# Stocks

**By H. W. Cornelius of Bacon, Whipple & Co.**
**135 S. La Salle St., Chicago, Nov. 29, 1960**

| | Bid $ | Asked $ |
|---|---|---|
| Aetna Casualty | 89½ | 92 |
| Aetna Fire | 86½ | 88 |
| American Equitable | 42 | 43½ |
| American, Newark | 25½ | 26½ |
| American Motorists | 17¼ | 18½ |
| Boston | 32½ | 33½ |
| Continental Casualty | 80 | 82 |
| Crum & Forster | 72 | 74 |
| Federal | 55 | 56½ |
| Fireman's Fund | 52½ | 54 |
| General Re. | 116 | 119 |
| Glens Falls | 33 | 35 |
| Great American | 44½ | 45½ |
| Hartford Fire | 55 | 57 |
| Hanover | 43½ | 44½ |
| Home of N. Y. | 58½ | 59½ |
| Ins. Co. of No. America | 67 | 69 |
| Jersey Ins. | 32 | 33 |
| Maryland Casualty | 36 | 37 |
| Mass. Bonding | 39½ | 40½ |
| National Fire | 105 | 108 |
| National Union | 37 | 38 |
| New Amsterdam Cas. | 55 | 56 |
| New Hampshire | 51½ | 53½ |
| North River | 39 | 40½ |
| Ohio Casualty | 23½ | 24½ |
| Phoenix, Conn. | 78 | 80 |
| Prov. Wash. | 17 | 18 |
| Reins. Corp. of N. Y. | 22 | 23½ |
| Reliance | 55 | 57 |
| St. Paul F. & M. | 56½ | 57½ |
| Springfield F. & M. | 33½ | 35 |
| Standard Accident | 43 | 44 |
| Travelers | 87 | 88 |
| U. S. F. & G. | 38½ | 39½ |
| U. S. Fire | 27½ | 28½ |

## Insured Is 'Expert' In Suit vs Insurer

Wisconsin supreme court held that insured could qualify as an expert and give opinion evidence in his own case in McDonald vs Bituminous Casualty reported in 10 CCH (Fire & Casualty) 554.

The insurer issued McDonald a manufacturer's and contractor's liability policy to cover his operation of removing and trimming trees and related services. The policy excluded ownership, maintenance, operation, use, loading or unloading of automobiles if the accident occurs away from the premises.

In attempting to fell a 40-foot oak on the property of a customer, McDonald used a truck and then a jeep. The timing gear went out on the jeep, and while McDonald was trying to figure out what to do next, the tree fell on a neighbor's house and damaged it. He asked the insurer to defend, but it declined to do so. McDonald settled for the damage and sued the insurer for recovery.

**Pro And Contra**

The insurer argued that there was a conflict in insured's testimony as to the cause of tree falling. McDonald testified that he had been in the tree removal and trimming business for several years. In his opinion the accident happened because he failed to top the tree and because it was not notched correctly.

The court held that even if a view most favorable to the insurer required the conclusion that the use of the vehicles was a substantial factor in causing the tree to fall as it did, the failure properly to notch the tree and to remove the top branches also were substantial factors, and under the policy were not ruled out by the exclusion clause upon which the insurer relied.

The insurer also questioned insured's qualifications as an expert witness. This, however, the high court said, was a matter within the discretion of the trial court. The court also observed that the insurer produced no witnesses. "Presumably," it added, "if any expert could have offered opinion evidence contrary to that given by McDonald, defendant would have availed itself of such testimony."

## Sacramento Casualty Claim Managers Form Council, Elect Henry

William L. Henry, Employers Liability, has been elected president of the newly-formed Sacramento Casualty Claim Managers' Council.

Louis J. Yost, Glens Falls, and James W. Keller, Lumbermens Mutual, Casualty, were elected vice-president and secretary-treasurer, respectively.

At its inaugural meeting, William C. Taylor, special agent in charge of the San Francisco Claims Bureau, of Assn. of Casualty & Surety Companies, outlined the general functions of the claim managers councils throughout the country.

## *Issue Of Control Is Decided vs Insurer*

A care, custody and control decision was rendered against the insurer by the eighth Ohio district court of appeals in Pickard Trucking Co. vs General Accident. The case is reported in 10 CCH (Fire & Casualty) 552.

Pickard was to construct two cranes on the property of American Ship Building Co. at its yards in Lorain, O. Under the contract, the ship building company was to furnish the labor and tools, was to furnish all the materials forming a permanent part of the structure, the cranes were to be erected on its property, and the property forming the cranes was intended to remain in the possession and control and was at all times the property of the ship building concern.

Pickard had finished the erection of the first crane to the point where the ship building company requested the crane manufacturer to test it to determine if it had been correctly erected. During one of the tests, a cable parted, and the boom fell and was damaged.

The ship builder refused to pay the contract price for the job and Pickard sued. The ship builder then filed a cross-petition against Pickard asking damages for the alleged negligence of Pickard, which it contended was the proximate cause of the damage to the boom. Pickard asked its insurer, General Accident, to defend. This the insurer declined to do because of the exclusion of property in the care, custody or control of insured—property as to which the insured for any purpose is exercising physical control.

Since the ship building firm exerted possession and control at all times, the exclusion did not apply and the coverage was applicable, the court concluded.

## Cosmopolitan Of Chicago Names Stern Executive V-P

Jerome Stern

Cosmopolitan of Chicago has appointed Jerome H. Stern executive vice-president. He has been treasurer of the company, as well as a board member and member of the executive committee.

### *Continental Casualty Opens Surplus Lines Unit In Detroit*

An excess and surplus lines department has been established in the Detroit branch of Continental Casualty under John E. Crossman, who previously handled this line for the company at the home office.

In the liability production department at Detroit, Anthony W. Pew has been named special representative.

**Northland** of St. Paul has been admitted to Oregon.

# Conventions

Dec. 1-2, Conference of Mutual Casualty Companies, accounting & statistical, office methods & personnel meetings, Conrad Hilton Hotel, Chicago.

Dec. 1-2, Insurance Advertising Conference, midyear, Statler-Hilton Hotel, Washington, D. C.

Dec. 28-30, American Assn. of University Teachers of Insurance, annual, St. Louis.

## 1961

Jan. 9, International Federation of Commercial Travelers Insurance Organizations, midyear, Edgewater Beach Hotel, Chicago.

Jan. 13-15, National Assn. of Claimants' Compensation Attorneys' Bar Assn., midyear, Arizona Biltmore Hotel, Phoenix.

Feb. 9-10, Conference of Mutual Casualty Companies, fire conference, Conrad Hilton Hotel Chicago.

Feb. 13-15, Health Insurance Assn., group insurance forum, Biltmore Hotel, New York City.

Feb. 22-24, Michigan agents, midyear, Statler-Hilton Hotel, Detroit.

March 9-11. Tri-State mutual agents of Pennsylvania, Maryland & Delaware, annual, Penn Harris Hotel, Harrisburg.

March 12-15. National Assn. of Mutual Insurance Agents & Texas mutual agents, combined midyear, Shamrock-Hilton Hotel, Houston.

March 13, Rhode Island agents, midyear, Sheraton-Biltmore Hotel, Providence.

March 14, New Jersey agents, midyear, Cherry Hill Inn, Haddonfield.

March 17-18, Mississippi mutual agents, annual, Edgewater Gulf Hotel, Edgewater Park.

March 23-24, Conference of Mutual Casualty Companies, underwriting conference, Conrad Hilton Hotel, Chicago.

April 5-7, Pacific Coast Advisory Assn., annual, Biltmore Hotel, Santa Barbara, Cal.

April 9-13, National Assn. of Surety Bond Producers, annual, St. Francis Hotel, San Francisco.

April 16-18, Eastern Agents Conference, annual Sheraton Hotel, Philadelphia.

April 17-18, Iowa Mutual agents, annual, Savery Hotel, Des Moines.

April 17-18, Ohio mutual agents, annual, Neil House Hotel, Columbus.

April 17-19, National Assn. of Insurance Agents, midyear, Philadelphia.

April 20-21, Southern Claims Conference, annual, Dinkler-Plaza Hotel, Atlanta, Ga.

April 23-27, American Assn. of Managing General agents, annual, Camelback Inn, Phoenix.

April 27-28, National Assn. of Casualty & Surety Agents, midyear, Sheraton-Belvedere Hotel, Baltimore.

May 3-5, Casualty Actuarial Society, midyear, Concord Hotel, Kiamesha Lake, N. Y.

May 4-5, Conference of Mutual Casualty Companies, claim conference, Conrad Hilton Hotel, Chicago.

May 7-9, Alabama agents, annual, Russell-Erskine Hotel, Huntsville.

May 7-9, Virginia & D. C. mutual agents, annual, Williamsburg Inn, Williamsburg.

May 7-10, New York State agents, annual, Syracuse Hotel, Syracuse.

May 8-10, Health Insurance Assn., annual, Biltmore Hotel, New York City.

May 9, Assn. of Casualty & Surety Companies, annual, Waldorf-Astoria, New York City.

May 12-13, Mountain States mutual agents, annual, Harvest House, Boulder, Colo.

May 12-13, Oklahoma agents, annual, Biltmore Hotel, Oklahoma City.

May 14-16, Iowa agents, annual, Savery Hotel, Des Moines.

May 14-17, Insurance Accounting & Statistical Assn., annual, Biltmore Hotel, Los Angeles.

May 17, National Assn. of Independent Adjusters, Sheraton Towers Hotel, Chicago.

May 18-19, Arkansas Agents, annual, Arlington Hotel, Hot Springs.

May 18-20, Texas agents, annual, Galveston.

May 22, National Assn. of Mutual Casualty Companies, annual, Edgewater Beach Hotel, Chicago.

May 22-24, American Mutual Insurance Alliance, Edgewater Beach Hotel, Chicago.

May 25, National Board of Fire Underwriters, annual, Commodore Hotel, New York City.

June 4-9, National Assn. of Insurance Commissioners, annual, Bellevue Stratford Hotel, Philadelphia.

June 12-14, International Assn. of A. & H. Underwriters, annual, Waldorf Astoria Hotel, New York City.

June 15-16, Wisconsin mutual agents, annual, Schwartz Hotel, Elkhart Lake.

June 15-17, Georgia agents, annual, General Oglethorpe Hotel, Savannah.

June 15-17, Mississippi agents, annual, Edgewater Gulf Hotel, Edgewater Park.

June 18-21, Conference of Mutual Casualty Companies, management conference, Hershey Hotel, Hershey, Pa.

June 26-28, Virginia agents, annual, The Homestead, Hot Springs.

June 29-July 1, Florida agents, annual, Fontainebleau Hotel, Miami Beach.

July 4-6, International Assn. of Insurance Counsel, annual, Queen Elizabeth Hotel, Montreal, Canada.

# Illinois Trends Covered At Chamber Rally

(CONTINUED FROM PAGE 2)

harvest" during a period of cut-throat competition, "I won't need to belabor the possibilities of just how quickly the insurance people can catch up with the rate system." The buyers will then have a new situation with which to deal.

Another trend, the speaker pointed out, is "the looseness of legal reasoning and the lack of understanding of basic legal principles." This situation is making it impossible for the business man to anticipate and insure against contingencies and impossible for the underwriter to prescribe the range of the contract he delivers and to fix a price for it. "The insecurity of business life grows worse with every passing month, and I doubt that we will be able to cure this tendency within the next 10 years," he declared.

**Discusses 'Injury Industry'**

Fletcher B. Coleman, vice-president State Farm Mutual Auto, discussed the "Injury Industry." Almost unnoticed and unidentified, "a tremendous new industry has emerged from our modern, motorized civilization," he said, "a vast legal and financial jungle in which about $4 billion are being expended each year." In terms of dollars and number of people directly and indirectly involved the field of personal injury litigation "dwarfs most other vast enterprises and suddenly has become a mighty and weighty element in our total national economy."

The Injury Industry offers "temptations of rich rewards to those who do not let personal morals, ethics or conscience stand in the way of a fast dollar," he continued. "Given an even chance, most people are basically honest, but the Injury Industry is infested with unscrupulous transgressors who violate the ethics of their profession or the business principles of their trades . . . and they are costing us money, since it is you and I and other purchasers of automobile insurance who provide the funds on which these operators flourish."

Public awareness of the situation has resulted primarily from the increase in automobile liability rates to cover the cost of claims, Mr. Coleman added. He called attention to an increase in rates in 1958 in Dade County, Fla., making them 50% higher in Miami than in Jacksonville and double those in the St. Petersburg-Tampa area. Average bodily injury settlement in Miami was $1,278, compared with $855 for the rest of the state.

Aroused public opinion prompted a serious look at the Injury Industry, including considerable newspaper publicity, and a safety campaign was organized, which included effective enforcement of traffic laws and a system whereby trafic tickets could not be fixed. The success story of what happened to correct a bad situation in Dade County shows what can happen when a community becomes aroused, said Mr. Coleman. He noted that Pennsylvania Chamber of Commerce recognized recently that accident frequency and insurance rates were "getting out of line" in 12 counties, and an investigation sponsored by the chamber is now in progress.

"The situation that existed in Miami before the clean-up and the situation now being investigated in Pennsylvania exists in most metropolitan areas today and in hundreds of cities in the U.S.," the speaker declared. He attributed lack of supervision and regulation as a big factor in the personal injury business, where on one hand the insurance companies are closely supervised, while the individuals associated with the claimant or plaintiff are subject to none whatsoever. "This lack of regulation has attracted the free-wheeling operators consisting of chasers, bird-dogs and claim brokers," he said.

Unregulated contingent fees also contribute to the situation. The field of personal injury litigation is the only area of any significance where people with limited, or unlimited means can obtain free legal services and advice, he continued. If a collection is made, the recovery is shared by attorney and client. The attorney has a big stake in the outcome of the case, and there is a temptation to those operating on the fringe of ethics to work with conniving clients and doctors to build a case out of all proportion to realism. Instead of the customary client attorney relationship, they are now on a partnership basis.

**Notes Legislative Trend**

The trend in legislation and court decisions is also in part responsible for the situation, he said. "In every legislative session bills are introduced to prune the doctrine of fault and to make it easier for the plaintiff and his retinue to collect from the funds which automobile owners and operators have established to insure their legal liability. Some of these bills have passed, and others have been more than the legislators could swallow."

Still another factor, he said, is the deterioration of moral values—where people who are thoroughly honest in their personal life and business dealings yield to the temptation to engage in a "little petty larceny, and sometimes grand larceny, when asserting

a claim against an insurance company or a corporate self-insurer." There is also the indifference or apathy of many people called for jury duty.

Mr. Coleman said the insurance industry is ready, willing and able to pay all just claims, and to pay them fairly and promptly. It is not the fair and honest claim that is causing the trouble. It is the "fraudulent and inflated claim spawned by the soak-the-insurance-company philosophy that has helped to bring about the present automobile insurance rates. . . Responsible citizens must put the solid stamp of disapproval on the fraudulent acts of those who seek personal enrichment out of automobile accidents, and support the elimination of the unregulated who have wormed their way into the Injury Industry."

**Cites Massachusetts Experience**

Arthur C. Conley, manager and general counsel Insurance Federation of Massachusetts, in speaking of his state's compulsory automobile insurance law, said, "It began its career in 1927 as a pioneer venture in liability protection, and in the ensuing 33 years the whole Massachusetts motoring public has wound up in the madhouse. . . Fortunately for both the motoring public and casualty insurance industry, 47 of our states have found that the greatest measure of protection and facility of administration are offered by the tried and trusted financial responsibility type of law. They have also found it a far less expensive means of security."

Much to their regret, two other states have chosen to meet the uninsured motorist problem through the adoption of compulsory automobile insurance, he continued. Massachusetts went into it blindly, with no established precedent, but New York and North Carolina embraced compulsory insurance with their eyes wide open. . . Surely during the passage of 30 years there had been ample opportunity to observe "how the compulsory experiment has made Massachusetts a chamber of horrors for the motorist and his insurance company. Notwithstanding all of the pitfalls and danger signs, both states crossed the river to join Massachusetts."

"Even at this early date, there is every evidence that both states now wish they had drowned enroute. ... They have already fallen into the Massachusetts pattern of confusion, misunderstanding, discontent, distrust and outright public resentment. Too late, the motoring public and the lawmakers are discovering that compulsory insurance means greatly increased insurance costs. . . New York and North Carolina are singing the 'Massachusetts Compulsory Blues' and their voices haven't even started to develop."

The principle factor which drives up the cost of compulsory insurance is without question the astronomical claim frequencies which go hand in hand with any system under which it is common knowledge that all motorists are insured, he averred. The recent increase in claim frequency in New York and North Carolina under compulsory provide perfect examples. In the former state, bodily injury claim frequency per 100 private passenger cars insured has jumped more than 20% and in the latter 31%.

"And let me assure you from bitter experience that this is only the beginning of a very miserable relationship with compulsory for both of these states. In fact, there is talk that North Carolina may permit its compulsory experiment to go out of existence by default next year, when the law is due to expire unless renewed."

Compulsory is also an extremely limited coverage, Mr. Conley went on. It protects the motorist against liability only for death or injury he may cause on the public ways of the state. It does not include extra-territorial liability or accidents which occur on private property; nor does it include guest coverage or property damage liability.

Administration and operation of compulsory causes difficulty, too, he said. Not only is the insurance commissioner, who is a political appointee of the governor, the sole rate-making authority for compulsory, but he also has "supreme and exclusive power over establishing rating territories, along with the various risk classifications. . . It is his agonizing duty each autumn to announce the compulsory rates, following which he is required to conduct a public hearing. . . In insurance circles it is the annual reenactment of the Boston Massacre."

**Characterize Discontent**

"These riotous public hearings are only characteristic of the whole measure of public discontent which has been implanted in Massachusetts by 33 years of compulsory insurance. We have a motoring public whose normal thinking processes have been deliberately muddled by politicians who seek only to misrepresent and distort the simple facts underlying any dispute over insurance rates. As a consequence of this Big Lie technique, the casualty insurance companies in Massachusetts have suffered greatly in terms of both public relations and adverse legislative reaction.

"It is my duty to represent the stock casualty and fire companies and their agents and brokers on industry matters before our legislature. . . A wel-

ter of petitions appear annually and come under the general heading of punitive legislation, designed either to dismantle the casualty insurance industry piece by piece, or to wipe it out overnight. . . I can assure you that the repeal of compulsory is the last thing our politicians want. . . We all realize that there is no prospect whatever of abolishing compulsory insurance in Massachusetts. We are married to the system, so to speak, and the best we can hope to accomplish is to improve it as time goes on and possibly make it less difficult to live with.

"But you will note in all of these pious protestations on behalf of the poor, downtrodden Massachusetts motorist that not a single politician chose to put his finger on the basic, underlying cause of the rate increase—the rise in claim frequency . . . Claim frequency will remain as the principal reason for the rate increase, and our politicians will studiously avoid mentioning it."

Mr. Conley warned that "the storm signals are flying in Illinois" for compulsory and that the agitation for it is more than a mere threat. "But as a battle-scarred veteran of the compulsory wars, I can say in all honesty that the motoring public of Illinois is being served far more adequately than are Massachusetts motorists. . . With your security type financial responsibility law, plus voluntary uninsured motorists' coverage and the safe-driver plan of merit rating, the people of Illinois have the strongest and most all-inclusive form of protection that man's intuition has yet devised. Let us hope that this great state will profit by the disastrous history of compulsory insurance in Massachusetts."

George E. De Wolf, insurance manager Jewel Tea Co., Melrose Park, Ill., discussed the various forms of liability insurance from the standpoint of the buyer. He emphasized the need for an "aggressive, imaginative claims department" and, if necessary, the changing of old standards to fulfill this requirement." He said old, established names in the insurance business may bear a lot of weight protection-wise but not always do so in the adjusting field. Insurance buyers will be taking an important step to cut insurance costs, if they take an active interest in claims service, he said.

K. A. Carney, director Claims Research Bureau, Assn. of American Railroads, Chicago, spoke on "Who Makes the Ground Rules in the Handling of Personal Injury Claims and Suits." He pointed out that the railroads operate under the federal employers liability act and there are no set limits. "We cut our accidents in half but the amount of payments went up." The biggest problem is from the employes themselves, he continued. There is a breakdown of employe morale, he said, because of increasing participation by labor, people who work daily for the railroads but encourage the "stick-the-company" attitude" in personal injury claims. "In many cases the facts are being distorted."

Ground rules are important in any organization to show how far it should go or let the other party go, he said. These rules should then be insisted upon. He advised in the setting of any rules to evaluate the consequences of having normal business relations with unethical lawyers. "The ground rules on both sides can go but one way," he said, "the right way. The time has come to stand up and be counted. We've got what we need to do what we have got to do. We make our own public appeal by the way we administer our claims."

**Asks Expanded Program**

Director Joseph S. Gerber called upon the insurance industry to expand its public information program on changes in insurance rates and regulation. Few business men appreciate the full impact of insurance on their business; fewer persons have an understanding of rate regulations applying to fire and casualty, and a minimal amount know how rates are made, he said. The average man is interested in getting the lowest rate and not how or why a rate is made. A rate increase gets page-one treatment in the press to the exclusion of world news, but a decrease does not get this treatment.

What amazes Mr. Gerber is that "most buyers of insurance know nothing about our laws or standards of rate making, and most people believe that our department makes the rates. . . If the public is not informed, it will work against free enterprise in the insurance business and lead to the end of state regulation in favor of federal regulation."

"If you in the insurance industry feel a dedication to the proposition that small people are best able to handle their own problems, then it becomes important to the industry that they understand the difference between state and federal regulation. They also must understand the processes and changes in the insurance business. This program must be done expeditiously, positively and with complete objectivity."

Mr. Gerber made reference to the proposed District of Columbia rating bill, noting that it departs greatly from the so-called all industry law now in approximately 40 states. He feels the bill will be reintroduced in Congress after the first of the year and will have lasting effect on the future of rate making, no matter what Congress does with it.

At the luncheon, Holgar J. Johnson, president Institute of Life Insurance, said business management and American consumers have a joint responsibility to keep the U.S. economy on the road of progress. "America faces a great challenge in the years ahead to prove to the competitive world the advantages of our economic system. Business management has come to recognize that great changes have taken place in the social and economic life of America in the past generation or two and corporate life today exists in a wholly different atmosphere than a generation ago. Business is no longer operated for the profit of a few, but for the profit of a vast ownership and for service to the whole community."

**Discusses Expanding Risks**

At the afternoon session, Prof. F. Reed Dickerson of Indiana University school of law discussed the expanding risks of products liability. He said there is an "increased sophistication of plaintiffs' counsel." Products liability cases were once handled sporadically, but now this phase is becoming a specialty. Also, there have been several shifts in legal doctrine, chief among these being the wearing away of the privitive requirement. Inroads are being made on this requirement and began in food cases. Now this is extending to drugs and cosmetics. He gave a number of examples and cited some court cases and also discussed strict liability.

Joseph P. Gibson Jr., president American Mutual Re, spoke on protection against nuclear energy and radiation hazards, tracing the development of

this type of cover, beginning with the first atomic energy act of 1946. He explained the atomic energy insurance pools, as well as the new third party nuclear liability policy.

The conference ended with a four-man discussion on "Breaking the Log Jam of Court Congestion." Participants were Samuel B. Epstein, chief justice superior court of Cook County; John C. Fitzgerald, deputy court administrator for Cook County; Philip H. Corboy, attorney, and T. L. Yates, attorney, all of Chicago.

**Details Present Situation**

Judge Epstein detailed the current situation where 1954 cases are still being heard in circuit and superior courts in Chicago and stressed the need for more judges. He said there are now 56, with a number of these being apportioned to other courts and duties. According to population, Illinois is entitled by its constitution to at least 40 more. He pointed out that Los Angeles County, which is about the same size numerically as Cook County, has 102 judges, and they are falling behind.

Judge Epstein suggested five points for correcting the court situation—the first of these being compulsory automobile insurance in Illinois, which he thinks would cut down the "stagnant cases." He said he did not know how many states had compulsory (agonized groans from the audience included the number) but he believed that this would help the situation.

The other suggestions were that insurance counsel be given full authority to settle cases without having to return to the office to get further advice; insurance company counsel be authorized to waive trial by jury; insurance companies increase their trial staffs, and that interest be charged on judgments rendered in personal injury cases from the day the case is filed.

**Requirement Not Unreasonable**

On the latter, he said this requirement was not unreasonable, since the insurance companies are investing the reserve and making money on it while the case is being settled. Judge Epstein feels, however, that the plaintiff should also come under the interest requirement, but since this is not generally possible due to lack of money, he isn't urging at this time that ininterest be charged the companies.

Mr. Fitzgerald said that he and Mr. Corboy, while listening to Judge Epstein, had concluded that he "stole our talk." He did not say if they approved of all of his suggestions but did say that the pending list of 65,000 cases was not an insurmountable problem and 15 new judges in Cook County "could clean up the whole thing in five years by keeping 11 courtrooms busy."

Mr. Corboy said at the opening of the courts two months ago approximately 45,513 cases were awaiting assignment to about 20 judges and at this rate it would take 33 years to try them all. And this condition is not static but getting worse by the year, he added. He advocates "providing more machinery for early settlements" but stated that adding only 15 judges, as suggested by Mr. Fitzgerald, "would only keep us current." He favors a 5% charge for both defendant and plaintiff to begin one year after the suit is filed. This gives both parties a "year of grace to get their offers in."

Mr. Yates said he knows of no insurance company that is not anxious to settle all legitimate claims "right now, and if anyone thinks that the companies make a profit on the reserves they have invested for these contingencies, they are talking through their hats. Experience proves that the longer the case lasts, the more costly it is to the insurance company." He took notice of the "tremendous number of nuisance cases filed by the 10 for 1 boys, where they invest about $50 to cover various filing charges, and in cases where there is no liability and very little injury, the return is about $200 for disposal as a nuisance case."

**Advocate Separate Trials**

He advocates separate trials for liability only as being practiced in the federal court in Chicago; more trial lawyers on both sides; settlement of civil cases where 10 or 11 members of the jury agree; independent medical testimony, and a more effective pretrial system. A charge of up to 10% for either defendant or plaintiff "would bring 'the moment of truth' quite a bit closer," he continued and also advocated making ambulance chasing a misdemeanor and enforcing it. He received enthusiastic applause from the audience.

Mr. Yate's talk apparently did not go down very well with Mr. Fitzgerald, who said, among other things, that he hadn't come to the meeting to "engage in a popularity contest" and that Mr. Yates knew his audience.

Chairman of the morning session was C. L. Morris, president Illinois National and president Illinois Insurance Information Service; William H. Franklin, vice-president Caterpillar Tractor Co., was luncheon chairman, and C. Malcolm Moss, counsel Prudential, Chicago regional home office, was chairman of the afternoon activities. Mr. Moss is also chairman of the Illinois Chamber of Commerce's legislative committee.

The executive secretary of Illinois Assn. of Mutual Agents, Harold S. Price, (left), and new officers elected at the annual convention: Wayne Varland, Rockford, vice-president; Ira C. Johnson, Aurora, president, and Dean Stonier, Kewanee, secretary-treasurer.

# Illinois Mutual Agents Elect Johnson

(CONTINUED FROM PAGE 6)

opments these days are occurring within the commercial field, Mr. Overman suggested. As to the importance of this field, he quoted Robb B. Kelley, secretary Employers Mutual Casualty of Des Moines, who conducted a survey among 3,000 of the company's agents and found, without exception, that the larger the agency the higher the participation within the commercial field.

### Calls Situation Healthy

This is a healthy situation, Mr. Overman stated. To make it easier for agents to get into this field, many companies are beginning to offer packages for the smaller commercial units, such as service stations, motels, apartments, etc. This makes the transition from the personal lines into the commercial lines a more smooth one for the average agent, he said.

In response to a question, Mr. Overman said that until specific laws were changed in certain states, some of these package policies would have to be written on a combination of policies basis; as was, for instance, the 1936 auto policy, wherein the liability and physical damage coverages had to be written in different companies.

Another question had to do with the future of the one-man agency in a semi-rural area. Mr. Overman said these agents will have to (1) bring in specialists as sub-agents for certain coverages, (2) ascertain what field they like best and stick to it, (3) not limit themselves to their own area, but reach out for an area of some 75 miles wide, and (4) look into the various training courses some companies are offering, as the business is going to get more complicated before it gets simpler.

### Discuss Agency Problems

In a panel on agency problems, W. R. Katus, Illinois Inspection Bureau, Peoria, handled inspection; Earl Allers, Northwestern Mutual, Chicago, adjusting, and Donald Ruthmeyer, Lumbermens of Mansfield, St. Louis, underwriting.

Mr. Katus, after noting that his talk would be limited to fire and allied lines, advocated a five-point program for agents to follow if they wish to cut down on the needless expense of unnecessary correspondence when desiring an inspection: Dates and policy term must agree; amounts of coverage must agree—dailies often show amounts that do not add up to the policy limit; description of risk covered must be given in full; proper endorsement forms must be noted and attached; and current rates and premiums must be accurate.

### Can Streamline Approach

Mr. Allers said agents could streamline their approach to adjusting in a number of ways. The agent should make sure the losses he handles himself are those he knows he can handle well. He can do a better job of setting up claims for the company adjuster; mostly by letting the insured do the talking. Agents needn't try to figure out every claim—just get the facts. Agents should conceive of themselves as middlemen.

There is a tendency to assume that every time a loss occurs under a homeowners policy that the item in question automatically should be replaced. Many of these items can be repaired, and to the complete satisfaction of insured, Mr. Allers said.

Mr. Ruthmeyer said the underwriter today realizes the importance of working closely with the agent; he realizes his company must produce a salable product, and that he must assist the agent in selling this policy.

Agents, on the other hand, can help the underwriter by a closer attention to such mundane affairs as filling out applications completely and keeping the company advised of all changes affecting insured's status. Also, agents must be extremely careful about not binding those risks that are clearly noted as being prohibited, Mr. Ruthmeyer stated.

### Questions On Homeowners

Following the panel's formal addresses, the meeting was thrown open to questions, most of which concerned some of the more technical aspects of the new homeowners. From the tenor of these questions, it seemed to this reporter that the companies could do a great deal more than they have toward educating their agents in the use and function of this new package policy.

Dale Fry, Employers Mutual Casualty, Chicago, discussed merit rating systems. He said each of the four great cycles of these plans were considered failures. "Softening" amendments threw the California plan out of joint; others failed in different ways. More than 200 companies now have a merit rating plan, and of these, more than half are independents.

The Texas plan is the only mandatory plan at present; it was hoped that this plan would close some of the loopholes in the California plan. The plan that seems most popular, however, is the Connecticut plan—and it is upon this plan that the Illinois version is principally based, Mr. Fry noted.

The Illinois plan, effective Dec. 1, is essentially a refined classification policy, he said, and the objection against basing a plan on individual driving experiences has been somewhat solved by basing it on groupings of experiences.

In an industry whose public relations are at an all-time low, the new Illinois plan can't be anything but an aid in that direction, Mr. Fry opined. Some 80% of the public is said to suffer no adverse reaction to filling out the plan's long and complicated application.

On the other hand, the new plan will mean a certain loss of premium income, Mr. Fry suggested. Also, unless there is strict application to the multitudinous categories, inequities among insured will be felt equal to today's general discontent.

Merit rating will not eliminate underwriting, nor will it make every risk acceptable, he said. Few indeed will be the companies writing all risks submitted. Selective underwriting still will be utilized to produce a good quality of risks, as only these will ever produce a decent income for the companies.

### Will Take 'Shellacking'

Mr. Fry concluded by stating that only time will tell if the various merit rating plans have placed the agent in a better position to acquire the key to all lines—the auto risk. And although the companies probably will take a bit of "shellacking" until various adjustments are made, the public clamor for rate relief may very well make the merit rating plan a success.

A. Lynn Minzey, superintendent of agencies Auto-Owners of Lansing,

coiner of the phrase "Ask Them To Buy," did just that following the second day's luncheon.

Every single thing an agent does behind the desk in his agency is irrelevant next to his primary purpose—selling, Mr. Minzey stated. Today is the era of the package policy, and while they are growing increasingly numerous, no matter what form they ultimately assume, one aspect of them will continue to remain constant—they must be sold. The companies have not yet, nor will they do so in the future, invented a policy that walks out of the agent's office and sells itself.

**Don't Have To Create Need**

In contradistinction to almost every other business, the insurance business is such that agents do not have to create a need for their product. The public is thoroughly convinced of the need for insurance, but they still will not buy voluntarily—the agent must ask them to buy, Mr. Minzey said.

An amusing skit was put on by the local 1752 club (Frank Kreuz, Employers Mutual Casualty, president), that more or less illustrated the fact that there are a variety of ways to contact prospective insured.

At the business session, chairmen of the various comittees gave their progress reports. Harold J. Bogard, Mattoon, finance, said the association is definitely "over the hump" as far as its finances are concerned, but that new members are a must to maintain this position. C. Robert Hicks, Chillicothe, co-chairman membership, noted IAMIA had an all-time high of 191 members. Donald Nish, Elgin, by-laws, said an up to date set of by-laws was being printed and would soon be distributed. Leon Hunz, Dolton, education, noted the association had not availed itself of the opportunity of sending someone on the scholarship the national association has provided at Oberlin College. He suggested menbers look around for a suitable candidate.

**Odds 333 To 1**

A. A. Long, Chicago Heights, publications, said the agents' monthly magazine, Smoke Signals, could use more advertisements and news. Mr. Stonier, legislation, said the electronic brains figure the odds against Director Gerber staying in office at roughly 333 to 1. He said that while the director was fully on the agents' side with regards to strengthening the qualification requirements, the association could only "tread water" until the new director was appointed and his views on the subject made public.

It was announced that next year's convention would also be held at Peoria's Pere Marquette Hotel, Nov. 13-14.

## N. Y. Board Of Trade Unit Hears Conway On Importance Of Insurer

An objective view of insurance business and the part it has in economic and social development of the country was given by former Chief Justice Albert Conway at the fall luncheon of the insurance section of New York Board of Trade. Mr. Conway who was New York superintendent of insurance in 1929-30 and was chief justice of New York State court of appeals from 1954 until January, 1960, cited the services of insurance to humanity. He said that whatever immediate problems insurers have, these services should act as an inspiration.

He described the enviable part insurers are playing in helping finance the record expansion of the nation's economy. Insurance companies, he said, in helping to finance World War II, held U. S. government securities which in 1946 were in excess of $21.6 billion. Since then insurance companies have been investing their capital in farms, factories, houses and utilities.

Insurance is the keystone of the credit arch, Mr. Conway said, and upon credit depends our system of production, exchange and consumption of products of the world.

Mr. Conway called insurance "the largest non-governmental business on this earth" and said it has affected the lives and economic circumstances of every single person.

Mr. Conway remarked that he sometimes thinks insurers have not sold to the man on the street the "reasons" for the rates charged for insurance. Insurance is unlike any other business because it is paid for in advance without knowledge of the events which may occur during the period for which the insurance was written and the payment made. Rates, he emphasized, are made not only by events befalling the insured but, in many forms of insurance, by the acts of the insured.

The luncheon was attended by 60 persons from many sections of the business. The chairman of the section, Charles W. V. Meares, vice-president New York Life presided and introduced the speakers. Harry F. Legg, executive secretary and treasurer of the section, made a brief report on financial, legislative and membership matters of the section.

The section's annual dinner and reception will be held Dec. 19 at the Drug & Chemical Club, New York.

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The northern California district office of **Republic of Dallas** has been moved to 1844 El Camino Real, Burlingame.

# Gerber Committee Report Big Event Of NAIC Meeting

(CONTINUED FROM PAGE 1)

in the grand ballroom of the Commodore Hotel was about as crowded as it is possible to get an affair of this kind. At least 1,000 people were compressed into the room at the high point. For the socially inclined, there is a pretty good calendar, starting with a reception given Sunday evening by Colorado Life Convention in honor of Sam Beery of Colorado, president of NAIC; a testimonial dinner given by Allstate in honor of Henry S. Moser, its retiring senior vice-president; a reception and buffet luncheon given for commissioners by National Assn. of Insurance Agents; the annual luncheon meeting of the Passe Club Tuesday, and a variety of headquarters rooms maintained by companies, bureaus and associations.

**Lame Duck Commissioners**

There are, of course, some lame duck commissioners here, many of whom NAIC will miss. Mr. Gerber heads this list because he has been as devoted a worker as the association has had in some time. William A. Sullivan of Washington, one of the most popular members in history, has filled out his application for Passe Club. Grubbs of Nebraska, another hard worker, fell under the election ax. In all, there are about a dozen commissioners taking farewell bows. Usually this is enough to call a halt to all progress. This loss from the ranks is used as a pretext for holding decisions over so that the new, uninformed commissioner may have a year to catch up to the point in the proceedings where the informed, departing commissioner left them. Happily, that does not seem to be the attitude this time.

The O'Mahoney investigation certainly adds an incentive to NAIC to maintain forward momentum. At the meeting of the examinations committee Tuesday morning an amendment was offered to the by-laws of NAIC dealing with the duties of the committee on examinations, it being explained that the amendment was a direct result of testimony at the O'Mahoney hearings. It would provide:

**Witholding Consent**

"With respect to any insurer which is authorized to transact business only in its state of domicile and only one other state, in the event that the consent of the commissioner of the company's home state is withheld, the commissioner of such other state or the commissioner of the state of domicile of any other insurer which has a reinsurance or any other kind of contract with such insurer may file a written statement of facts with the chairman and the vice-chairman of the committee on examinations. After investigation of said matter, which shall include giving to the commissioner who has withheld his consent to examination an opportunity to explain and justify his position, the committee on examinations shall furnish a copy of the statement of facts together with a copy of its report covering its investigation thereof, with its recommendations to all members of the association. The recommendations of the committee on examinations shall be submitted to the president of the association who shall call a special meeting of all members of the association and no order effectuating the recommendations of the committee shall be entered in the record without full opportunity to any commissioner affected to be heard, nor unless approved by a majority of the members of the association."

**A Lighter Touch**

Not all sessions have to be burdened down with serious, momentous matters. Bushnell of Arizona used the lighter touch to dispose of a recommendation of Holmes of Montana, mailed to members before the meeting, that convention examinations be abolished on grounds of excessive cost, and the responsibility for keeping track of companies be left to their states of domicile.

Be bold if such a plan is to be adopted, Mr. Bushnell suggested. He recommended the addition of two pages to the annual statement which would allow space for filing four items of information—

**Four Items Listed**

1. Full face picture of all the officers of the company. This would allow the commissioner to tell if they are honest, or at least if they look honest.

2. Space for a specimen of the handwriting of the officers, each of whom would pledge to obey all laws governing the conduct of his company. A handwriting expert could analyze the character of the officers from this.

3. A list giving the birthday of each officer. An astrologer could be consulted on the significance here.

4. Analyses of blood and urine specimens should be included. A clue to character might be obtained.

If the company passes 100% on looks, handwriting, the stars and blood count, the trienniel examination would be waived and only the home state would be responsible. A 50% score would call for examination by all states in which the company is licensed; 25% the same, with the addition of federal examiners, and zero, cancel the license.

**Breaking Down Standards**

More seriously, Mr. Bushnell commented that to follow Mr. Holmes' plan would break down the uniform standards that have been established at such trouble and expense. The value of an independent (state) authority in the examination would be lost; costs would increase because each state would want either to participate in the examination or conduct its own.

The workmen's compensation small policy economies subcommittee met Monday morning with Frank Harwayne of New York presiding for Superintendent Thacher. This subcommittee is considering extension of the system used to value long term disability WC claims to all claims. A matter of discounting reserves is involved. A. Z. Skelding, associate general manager National Council on Compensation Insurance, spoke for industry, explaining that the NAIC advisory technicians got this matter on the agenda before exploratory meetings were conducted with industry. There are implications in this proposal, Mr. Skelding declared, particularly in the field of rate making.

**Wants More Discussions**

He emphasized that he would like to have future discussions of the matter cover the policy determinations of whether use of present values for all losses is feasible, desirable or necessary; and, above those considerations, the impact of such extension on rating, statistical compilation and conflict with state regulatory procedures be kept in mind.

Only a scattering of people attended. Nearly all of them were acquainted with the problem, which bristles with actuarial technicalities. Mr. Skelding's comments, following an introduction of the subject by Mr. Harwayne, constituted the only business.

Announcement that the National Board favors a rating law embodying immediate use of filings was made at the meeting of the Gerber subcommittee of NAIC. It has been rumored that the board would take this position, but until Monday morning few people were in the know. H. Clay Johnson, Royal-

Globe group, speaking as chairman of a joint committee of National Board, Assn. of Casualty & Surety Companies and Inland Marine Underwriters Assn., said a consensus had been reached within each of the organizations and by the committee "only very recently," just last week, in fact.

Mr. Gerber's subcommittee meeting—the subcommittee to review fire and casualty rating laws and regulations—was by all odds the biggest single event of the meeting, to many the only thing on the agenda worth attending from a business standpoint. The room filled up early, and by the time Mr. Gerber called for attention there were more than 500 persons on hand, standing around three walls two deep in some places.

Copies of the subcommittee report were placed on the head table. Since nothing had been allowed to leak out in advance as to what the subcommittee would say, there was a stampede to get them. Mr. Gerber read the report, and then asked for comment. Mr. Johnson gave the "joint committee" position, and there were statements by Jack Barry of Corroon & Reynolds; Ambrose Kelly of the Factory Mutuals, and Vestal Lemmon of National Assn. of Independent Insurers. The last three to appear for the most part reiterated their former well known positions.

Mr. Gerber's report did not take up the issue, the burning competitive question, of approval of rate filings, although reference was made to it. This matter is left for future deliberation.

It was pointed out in the report that the committee's function is to review rating laws and rate regulations. A general survey was conducted and some specifics were gone into, these latter being—aggrieved party concept; one year limit on deviations; rules, rates and forms; deemer clause; partial subscribership; availability for public inspection of proposed rate filings; approval or disapproval in part; standing of rating organizations in connection with deviations; and other provisions of the all industry laws.

Hearings were held in Chicago, Birmingham, New York and San Francisco, and the subcommittee came to the conclusion that it should first define the general aims of rate making and regulation and then deal with specific recommendations. Believing that until the position of NAIC with respect to the subcommittee's statement of general aims and its specific recommendations for change in the model bills is established it would be premature to proceed further with general analysis and critique of the premises and techniques of rate regulation, the subcommittee "has forgone at this stage specific consideration of the new model bill proposed by National Assn. of Independent Insurers and of other proposals for new departures in regulatory approach."

The subcommittee report lists four general aims and principles governing rate making and regulation:

That insurance coverages desired by the public should be generally available to the public from licensed insurers;

That the cost of such insurance coverages to the public should be reasonable and not excessive;

That the solvency of insurers should be maintained in the interest of the continued protection of their policyholders;

That each insured should bear his fair share of insurance costs.

### Accomplishing Aims

These aims may be accomplished differently in different states, the report notes, but "whatever the procedural orientation of a rate regulator's statutory system, the tests applied by him to determine whether specific insurance rates accord with these principles should be made more concrete."

In the nine specific areas of inquiry, the report makes definite recommendations for change in several.

The subcommittee recommends that no rating organization have status as an aggrieved party with respect to any rate or rate filing either in effect or before an insurance commissioner for consideration. But any other individual, partnership or corporation which, on the basis of a factual showing, has a specific economic interest adversely effected by a rate filing in effect should continue to have available the remedy provided in the all industry bills.

Deviations should not have a fixed maximum duration (referring to the one year limitation), but should continue without renewal and reconsideration either until substantive change is made in the filing to which the deviation is related or until such other time as the regulator concludes that reconsideration is necessary.

The fire and casualty rating laws should be consolidated.

No changes are needed in the deemer clause.

The right of partial subscribership has been established judicially. The subcommittee agrees with this construction of the intent of the model bills and believes no changes are warranted.

There is no need for a change to make filings open to inspection before their effective or approval date.

No change is warranted in provisions for partial approval or disapproval.

### Changing Provisions

It is recommended that provisions of the model bills be changed to extinguish the right of a rating organization to compel a hearing in connection with an application for deviation from its filings. Whether a hearing is to be held should rest with the regulator or the applicant.

Because the model bills give ample authority for appropriate regulation of advisory organizations, no change in these provisions is necessary, but advisory organizations should be examined periodically.

If the subcommittee's statement of the aims and principles of insurance rate making is approved, the report

states, there remains the need of developing criteria for applying the principles in particular cases; determining whether current proposals for procedural change (such as NAII) represent improved means for so doing. And if its recommendations for change in the model bill are endorsed by NAIC, the subcommittee should be authorized to draft appropriate amendments. The work involved is considerable, the report concludes. "Considerable time and substantial and effective staff assistance will be required to accomplish the goals envisaged" and the subcommittee should be enlarged to nine members.

Mr. Johnson made his appearance following the reading of this report by Mr. Gerber. The opposite tack was presented immediately thereafter by Mr. Barry.

At the hearings of the Gerber subcommittee and at NAIC meetings in the past few years, Mr. Barry has maintained a consistent position. But he used to have more support than is apparent now. Before when Mr. Barry took the rostrum he would jollify his remarks; but in recent months he has seemed to become less inclined to modify his point of view with jokes or asides. He takes the position that rate making is not a right of companies, but a privilege to be conducted under the watchful eye of the regulatory authorities. Changes in the rating laws such as have been suggested on the score of no prior approval could produce a chaotic situation, and whatever befalls, including insolvencies will be the responsibility of the commissioners, Mr. Barry warned.

The fire and casualty rating laws are the result of 75 years of experience, Mr. Barry added. They have been kicked around in the last five years. The laws say the rates should be adequate, but they haven't been.

Mr. Barry said rates are comprised of losses (over which the companies have no control); loss expenses; other expenses, and production costs, some people are trying to make rates with a reasonable assumption for loss experience, he remarked, thus adding to the lawyers, actuaries and accountants a new group of experts, the "assumers."

"Other expenses" in the rate component are a stable figure that for years have amounted to about 15%, Mr. Barry declared. That leaves the producers' costs, which is worth 25% in the fire business and 18% in auto. Any rate cut comes out of there, according to Mr. Barry.

He said homeowners filings have gone wild because the states can't cope with them. He asked why rating bureaus shouldn't be aggrieved parties—a deviation is a contradiction of the bureau effort to produce a rate in compliance with the law. What is missing in state regulation, he charged, is knowledge of the facts and figures, or simple ignoring of them. He said he is entitled to know how a commissioner arrives at his decision, but departments can't supply the reasoning. The thousands of deviations across the country have made rate regulation "a silly joke."

Ambrose Kelly praised the work of the subcommittee and its report. He suggested that there might be added to its principles governing rate making the idea that each insured should be charged identical rates for the same coverage on similar risks.

Mr. Lemmon added words of commendation, and took his hat off to Mr. Johnson's committee for its "forthright and statesmanlike" approach to rating problems. Mr. Lemmon's message was one of urgency for action. He pointed out that NAII has had a concrete proposal in the hands of the subcommittee for five months. The report, however, says a lot of time will be needed. The state legislatures will meet in June, and Mr. Lemmon stressed the "need of acting now."

There was scattered applause at the end of the meeting as a tribute to a committee of NAIC that has wrestled with and beaten a difficult problem.

**Rinehart Presides**

Rinehart of Alabama presided at the meeting of the subcommittee on organization, ownership and certification of insurance companies. He was unable to get any response out of the industry or department people attending this first session of the New York meeting.

There was no formal agenda, Mr. Rinehart explained, but he had a couple of points to bring up which he evidently thought, or hoped, would provoke some interest and discussion. One had to do with the language of the June, 1959, report of the subcommittee covering minimum capital and surplus requirements. Nobody stirred at Mr. Rinehart's comments, which were concluded with the observation that such requirements couldn't be too precise since they have to cover a variety of state situations.

How about a rule to have states accept any standard convention examination of the past 18 months for a company seeking admittance? No reaction. Well, Mr. Rinehart concluded, there is the problem, even if such a rule were established, that some states have to operate according to statute and might not be able to get by with reliance on this examination alone.

Failing to get a single word out of those attending the meeting, though not from lack of trying, Mr. Rinehart adjourned the subcommittee into executive session.

Revisions of, additions to and editorial changes in the model credit life and credit A&H bill were explained at the meeting of the subcommittee on this subject by Chairman Joseph Gerber of Illinois. As in all the NAIC activities with which Mr. Gerber has been identified, this has been a working committee.

Quite a number of changes have been made. Mr. Gerber skimmed over them, reading the more important ones. Any areas of dispute had been handled previously in committee meetings, so this session at New York was more or less a recital of accomplishment. At the conclusion, F. Joseph O'Regan of Health Insurance Assn. complimented Mr. Gerber and his subcommittee for doing an effective job, even though not every industry suggestion had prevailed, and said his organization believes the bill in its present form should be approved by the subcommittee. This was seconded by Albert Pike of Life Insurance Assn.

Donald McNaughton of Prudential called attention to a problem he feels the group credit people will encounter in the requirement of showing policy amounts when they reduce and might cause insured to be confused. The policy should say the amount of insurance is the amount owed, he said. Mr. Gerber replied that this could be overcome with language following the amount explaining that it reduces with the loan.

Sidney Green of Maryland brought up a point on whether in paragraph 6B a word should be "and" or "or." This produced remarks from John Henry of Continental Casualty and John Coppage of Maryland, and the meeting went into executive session with this as its sole problem.

## U. Of Wis. WC Symposium Taking Shape

The planning committee for the University of Wisconsin's symposium on "Workmen's Compensation in a Dynamic Society" met in Chicago and set tentative dates of May 9-10, on the university's campus, for this public forum during the act's fiftieth anniversary year.

Under the chairmanship of Dean E. A. Guamnitz, the committee decided upon a program divided basically into three parts: The Workmen's Compensation Concept; Workmen's Compensation in Action—Current Problems (views of business and industry, labor, government, private insurance, medical profession, sociologists, economists and claimants' council); and Workmen's Compensation in the Next Decade (rating, self-insurance, rehabilitation, safety and benefits, and future developments). Speakers covering these aspects of the question will be announced at a later date.

Among those attending this pilot session where Director Gerber of Illinois; J. Dewey Dorsett, general manager Assn. of Casualty & Surety Companies: Howard Schulz, director occupational health American Medical Assn.; C. Henry Austin, director American Society of Insurance Management; Reuben G. Knutson, Wisconsin Industrial Commission; G. C. Stewart, National Safety Council; George Reall, general manager National Council on Compensation Insurance; and Donald Ream, Bureau of Labor Standards.

## Arkansas Agents Change Midyear Program Format

Instead of the usual miniature convention format as in previous years, this year's midyear gathering of Arkansas Assn. of Insurance Agents will be a conference-type meeting of the executive comittee with members of all standing committees and the membership at large invited to sit in on the deliberations.

High on the discussion agenda for the conference Dec. 12 at Little Rock will be (1) the new safe driver rating plans and the multiplicity of automobile filings, (2) the question of direct billing and what position the AAIA should assume, and (3) legislative proposals for the forthcoming meeting of the 1961 Arkansas general assembly in January.

Ernest Pavy, new manager of Arkansas Inspection & Rating Bureau, in a luncheon address, will make his first official appearance before the Arkansas producers. Members of the Arkansas Field Club are invited to attend the morning and afternoon sessions as well as the luncheon.

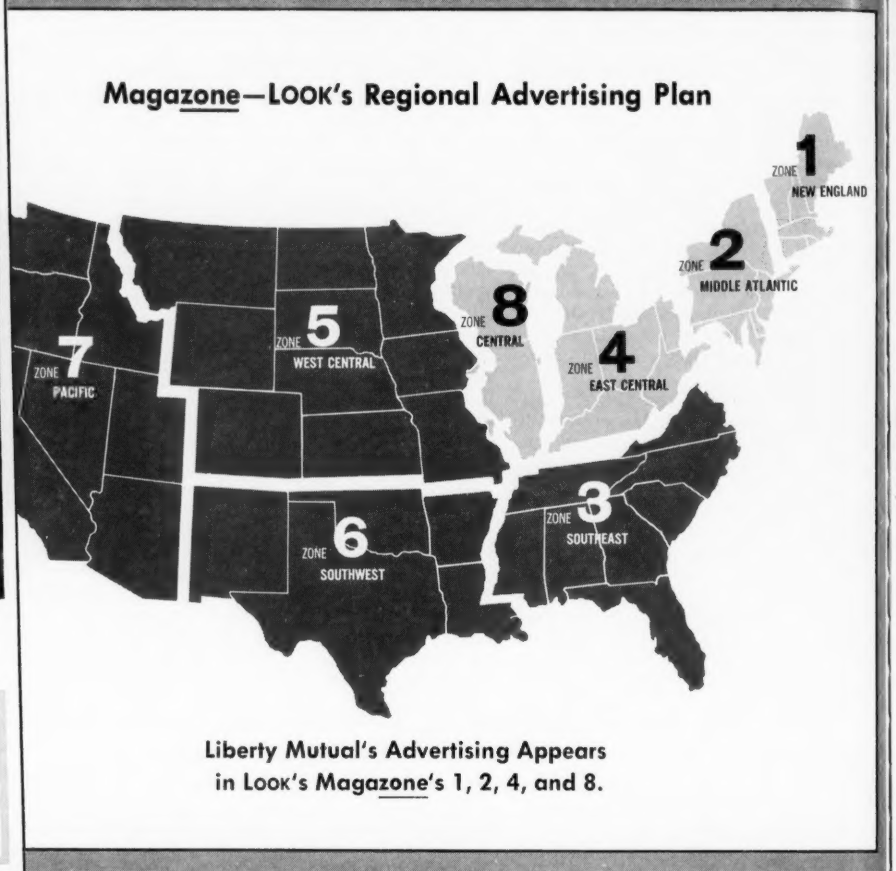
## Complete ADT Service Described In Booklet

American District Telegraph Co. has issued a comprehensive booklet on its services for the protection of life, property and profits.

Complete descriptions are given of the company's fire protection and burglar alarm services, and the value of the two in combination is outlined.

ADT is now supplying electric protection services to more than 67,000 subscribers in some 2,300 municipalities.

**San Diego pond** of Blue Goose will hold its Christmas dinner Dec. 9 at the Admiral Kidd Club.


# Advertising that Helps Salesmen Sell

**Liberty Mutual has a list of clearly defined objectives for its magazine advertising and an over-all marketing plan to go with it. Three advertising campaigns run concurrently. The one in LOOK features "homeowners" package insurance plan.**

In LOOK, Liberty Mutual makes good use of Magazone to cover zones 1, 2, 4, and 8 in the heavily populated Northeast and Great Lakes region from Maine to Wisconsin. Purpose of the company is to concentrate its advertising story in a desirable market where the company has the local offices and manpower to follow up advertising with sales and service.

### Workmen's Compensation

Liberty Mutual's leading line is workmen's compensation insurance, and in that field the company conducts a continuous program aimed at the business market. The inscription on the wall above the spacious lobby of the Boston home office says in part: "With our policyholders we are engaged in a great mutual enterprise. It is great because it seeks to prevent crippling injuries and death by removing the causes of home, highway and work accidents. . . . Its true greatness will be measured by our power to help people live safer, more secure lives."

To push its workmen's compensation line and to promote loss prevention, Liberty Mutual advertises in broad business publications as well as in trade magazines which are read by executives and engineers engaged in oil drilling and construction.

### Automobile Insurance

The next important program of Liberty Mutual is its auto insurance line. Protection here considers the high mobility of the insured individual who drives across state lines and into all parts of the country and Canada. The rate structure varies from state to state. The risk, the company says, is also a variable hazard from the rural roads of one area to the crowded superhighways outside the big cities and resort areas.

The auto insurance line is advertised in Saturday Evening Post and Time. The auto insurance line is always included with the homeowners theme in LOOK.

### Homeowner Insurance

Third campaign of the series is for Mr. Homeowner, or Mr. Tenant, who for the most part stays put on the same parcel of real estate. The hazards against which he needs protection are fire, theft, personal liability, windstorm, explosion, and many more. With Liberty Mutual, the ad copy says, he can cover the whole gamut of hazards in one easy-to-buy, easy-to-pay-for package.

### Market Concentration

The homeowners campaign runs exclusively in LOOK. Robert Mattox, assistant vice-president and advertising director at Liberty Mutual, and his associates say: "LOOK Magazone gives us concentration in the markets where we prefer to write business, and where we have the manpower to provide homeowner service."

LOOK reaches a large percentage of active, young families who own their homes, automobiles, and a long list of other valuable possessions. Latest surveys show that LOOK goes into more than 16,850,000 households. You, too, can reach this powerful family audience or a selected portion of it through your advertising message in LOOK and Magazone, LOOK's regional advertising plan.

LOOK

*The exciting story of people . . . what they do, what they feel, what they want, what they think . . . an everchanging story told with warmth, understanding, and wonder.*

***Reaching into 16,850,000 households with a single issue***